Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils.500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L125.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rm4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr8.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

ø No. 30,412 — Friday December 11 1987 — D 8523 A

Belgium: Socialists set to stay in wilderness, Page 3

World News — Business Summary

Tax expert convicted in $350m fraud case

THREE men were convicted in the United States of running a tax shelter scheme that allowed their clients, including prominent Wall Street and show business figures, to take more than $350m in fraudulent tax deductions.

One-time tax shelter expert Charles Atkins, 33, and two associates were found guilty by a federal court jury in connection with what Internal Revenue Service (IRS) officials said was the largest tax fraud scheme ever uncovered.

Israelis accused of border encroachments

Israel had built 10 "border encroachments" that appeared to realign its frontier with Lebanon and gave rise to concern that it was trying to annex Lebanese territory, UN Secretary-General Javier Perez de Cuellar told the Security Council.

Meanwhile, Israeli troops shot dead a Palestinian teenager as riots swept the occupied West Bank and Gaza Strip. **Page 5**

S. African mutiny

South African riot squads exchanged gunfire with black township policemen who mutinied after an officer wanted to inspect their vehicles. At least eight men were wounded in the shooting in Lekoa township near Johannesburg.

Iraqis hit tanker

Iraqi jets used Exocet missiles in an attack on a fully-loaded Iranian supertanker in the Gulf, starting a fire on board. **First tanker sunk, Page 5**

Stock exchange riot

Traders on the Hamburg stock exchange used fire extinguishers and fists to repel about 50 masked demonstrators who stormed the building and attacked them with tear gas, eggs and tomatoes.

Manila plot 'exposed'

An apparent plot to disrupt next week's South-East Asian summit in Manila was exposed with the arrest of a supporter of former Philippines President Ferdinand Marcos in possession of 250 sticks of dynamite. **Summit overshadowed, Page 5**

Radioactive leak

Several tonnes of radioactive "heavy" water had escaped into an Argentine reservoir from a nearby nuclear power plant over the past two years, an official in Cordoba province said.

Cheese sales banned

Swiss health officials banned the sale of 18 varieties of soft cheese – about half of which were imported – after potentially lethal bacteria were found in them.

Irish reforms urged

The Irish Government should take radical measures to reform its economy and reverse a trend towards lower growth and higher unemployment, the Organisation for Economic Co-operation and Development said. **Page 3**.

Athens bomb blast

At least five people were injured when a bomb exploded in the office of the Athens Chamber of Commerce and Industry.

Poverty 'peace threat'

President Francois Mitterrand of France backed African leaders in warning that world peace was threatened by the gulf between rich and poor countries as much as by nuclear missiles.

Cyprus flight warning

Aircraft had come close to collision over the eastern Mediterranean because Turkish and Cypriot air traffic controllers had no direct contact, a Cyprus civil aviation chief said.

Islamic law eased

Sudan said it was relaxing its Islamic Sharia law which included flogging for traffic offenders and the death sentence for 13-year-olds.

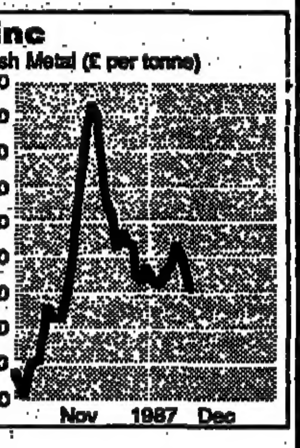
BIS acts to strengthen banking system

PROPOSALS for common minimum capital requirements for banks in the industrialised world were published by the Bank for International Settlements (BIS) and major central banks.

The plans aim to strengthen the international banking system and equalise competition between banks in different countries. **Page 29**

PAN AM, troubled US airline, is to merge its Pan American World Airways subsidiary with Braniff, US carrier, but the deal hinges on Pan Am's unions making sharp pay concessions. **Page 29**

ZINC prices continued their easier trend on sterling's firmness against the dollar and news that a Peruvian miners' strike had



ended. The cash position ended £7 down at £471 a tonne, its lowest price since November 11. **Commodities, Page 40**

WALL STREET: The Dow Jones industrial average closed down 47.08 at 1855.44. **Page 52**

TOKYO: The overnight gains in New York and expectations of better US trade figures combined to spur a gain in equities. The Nikkei average rose 395.14 to 23,280.84. **Page 52**

LONDON: The disappointing US trade data knocked the legs from under the UK equity market. The FT-SE 100 index lost 19.7 to 1,619.6 and the FT Ordinary index fell 12.6 to 1,285.0. **Details Page 48**

DOLLAR closed in New York at DM 1.3323; Y1.6325; SFr1.8365; FFr1.3053. It closed in London at DM1.6365 (DM1.6640); Y129.40 (Y132.40); SFr1.3345 (SFr1.3605); FFr5.5575 (FFr5.6375). **Page 41**

STERLING closed in New York at 1.8355. It closed in London at $1.8305 ($1.8025); DM2.9950 (DM2.9975); Y236.75 (Y238.75); SFr2.4425 (SFr2.4525) FFr10.1725 (FFr10.1625). **Page 41**

BEAR STEARNS, large Wall Street brokerage house whose shareholders have been among the biggest casualties of the October stock market crash, has sued Jardine Strategic Holdings for pulling out of a pre-crash agreement to buy a large stake in Bear Stearns. **Page 29**

FRANCE unveiled measures to stimulate savings and encourage small shareholders to continue investing in the stock market. **Page 25**

USX, US steel and energy group, said it would record improved earnings in 1988 but declined to predict specific profits for the 1988 fourth quarter. **Page 29**

JACOBS SUCHARD, Swiss coffee and chocolate group, forecast a gain of close to 40 per cent in net earnings for 1987 and hinted at a dividend increase. **Page 32**

MULTITECH GROUP, Taiwan computer company, has acquired California-based Counterpoint Computers, which signals Multitech's entrance into the UNIX-based multi-user minicomputer market. **Page 30**

EAST ASIATIC, Danish trading group, said sales for the first nine months of 1987 were DKr11.2bn ($1.75m), 12 per cent higher than in the same period of 1986. **Page 32**

TRINKAUS & BURKHARDT, West German bank majority owned by Midland Bank of the UK, announced a rise in partial group operating profits of 6.6 per cent to DM71.3m ($43.2m) in the first 10 months of 1987 against DM66.6m. **Page 32**

Summit ends amid hopes of progress on key issues

Reagan declares US-Soviet talks 'a clear success'

BY ROBERT MAUTHNER AND STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan of the US and Mr Mikhail Gorbachev, the Soviet leader, claimed yesterday that their three-day summit had brought the superpowers closer together but conceded they had failed to achieve any major breakthroughs on key issues dividing them.

Both men in their departure statements underlined the frank nature of their talks. But they said that much work needed to be done if they were to build on the good atmosphere in which their face-to-face discussions took place.

"This summit has been a clear success," Mr Reagan declared. But he added, in a clear indication that no major problems had been resolved: "It is up to both sides to ensure that the lustre does not wear off and to follow through on our commitments as we move forward to the next steps in improving the relations between our countries and peoples."

Mr Gorbachev, striking a more guarded note in his response, said that his visit to Washington had "on the whole justified our hopes." He added that some headway had been made towards achieving substantial reductions in strategic offensive arms although a lot of work remained to be done.

Standing under an umbrella outside the White House under leaden skies and light rain, Mr Gorbachev added that his discussions with Mr Reagan on the pivotal problems of Soviet-American relations had been "business-like and frank."

US Vice-President George Bush (left) and Soviet leader Mikhail Gorbachev during a meeting yesterday at the Soviet embassy

Neither leader gave any hint of a narrowing of differences on regional issues, in particular on the Soviet withdrawal of troops from Afghanistan. In spite of the limited progress on substantive issues, the summit has the makings of a political victory for both men.

Mr Richard Wirthlin, the President's pollster, reported yesterday that for the first time since the Iran-Contra scandal broke a year ago, his polls showed that Mr Reagan's ratings had risen sharply

Mr Gorbachev has also scored a tremendous public relations triumph. The Soviet leader's success in taking centre stage and appealing over the head of the President has already helped to swing support on Capitol Hill in favour of the INF treaty.

But neither man appears to have been prepared to compromise over their differing positions on the role of space defences and Mr Reagan's so-called "Star Wars" Strategic Defence Initiative (SDI).

There was also no mention in their departure statements of a follow-up summit in Moscow next year, although Mr Gorbachev did express the hope that he would be able to make another visit to the US in order to "meet face to face with the great (American) people, to chat, and to have some lively exchanges with ordinary Americans."

Bankers bustle for place at Gorbachev audience

By Stewart Fleming, US Editor, in Washington

AMERICAN businessmen and bankers have been trampling over each other for an invitation to the meeting which Mr Mikhail Gorbachev, the Soviet leader, scheduled for yesterday afternoon with the chief executives of some of America's major corporations, according to one Washington expert on the Soviet economy.

There have been other signs that trade and finance are a top priority for the Soviet summiteers. Mr Gorbachev came to Washington with a panoply of leading government economists and trade officials, such as Mr Vladimir Kamentsev, a deputy Prime Minister and chairman of the State Foreign Economic Commission. They have been scurrying around the city talking to their American counterparts and briefing the press.

This is rather surprising in the light of the public statements which are being made. Soviet spokesmen, for example, have been vigorously playing down the idea that they are looking to American banks for loans and credits, even though, according to one American expert, the guest list for yesterday's planned meeting included top executives from the major American money centre banks.

Although the names on the list have have not been published, it is understood that along with top bankers, executives from such companies as Coca-Cola, Combustion Engineering, Dresser Industries, Westinghouse, Monsanto and, of course, Occidental Petroleum, were included

"Oxy" is headed by Dr Armand Hammer, who built his fortune on US-Soviet trade and who, according to Administrtation officials, is playing a role as private go-between in trying to help arrange the Soviet withdrawal from Afghanistan.

The low-key approach to yesterday's meeting by both sides is understandable, but common sense suggests that both trade and bank loans are on the agenda.

Moscow has been borrowing heavily in Western credit markets since 1984. Bank of International Settlements (BIS) data presented in Congressional testimony last month by Mr Tom Berger, deputy assistant treasury secretary for International Monetary Affairs, shows bank claims to the Soviet Union rising from $15bn in 1983 to $28.6bn in 1986.

Most of this business is going to European and Japanese banks. American banks must be watching their rivals' expand their

Continued on Page 28

Further summit coverage, Page 6; Politics Today, Page 27

BA and United agree on marketing merger deal

BY CLAY HARRIS AND MICHAEL DONNE IN LONDON

BRITISH Airways yesterday signed what it described as a "marketing merger" with United Air Lines of the US, one of the world's largest airlines.

The two carriers will co-ordinate flight schedules and marketing programmes, offer joint fares and share terminals in four US cities. No equity stakes are involved, however.

The BA-United partnership brings together carriers which in recent years have promoted themselves respectively as "The world's favourite airline" and "The biggest airline in the free world."

BA yesterday separately raised its cash takeover bid for British Caledonian Group to £200m ($360m). It said the £50m cash injection envisaged under Scandinavian Airline System's rival rescue package, recommended by the BCal board, was not sufficient to maintain the UK airline's independence.

BA left unchanged the share terms of its BCal offer, which was worth £148m at yesterday's BA closing price of 137p, down 1p. The new cash offer, increased from £119m, will be funded from BA's own resources rather than underwritten.

BCal and SAS yesterday declined to comment on the new bid, which emerged only 12 hours after the recapitalisation package was finally unveiled on Wednesday night.

The SAS proposal, under which it intends to pay £130m for an initial 23.5 voting stake, still depends on the Civil Aviation Authority's deciding that BCal would remain a UK airline and retain its route licences. The CAA has promised an answer by no later than Monday.

BA's new bid is intended to increase pressure on BCal's institutional shareholders, none of which is irrevocably committed to the SAS package.

Investors in Industry (3i), the investment consortium owned by UK clearing banks, still holds the key. It owns 41 per cent of BCal at present. This would be reduced to 23.53 per cent, barely more than SAS's holding, under the recapitalisation plan.

Mr Larry Tindale, 3i deputy chairman, would take the same position at BCal under the SAS plan. He is already on the board, but the proposed appointment is intended to underline the central role of 3i, especially to the CAA, which has insisted on a single large British shareholder to balance SAS.

Nevertheless, 3i will be studying the new BA bid closely and especially looking for any possibility that BCal's identity might be maintained as more than just the charter arm of BA and that some of the 2,000 planned redundancies might be avoided.

As part of the recapitalisation package recommended by BCal, SAS is offering a total of £110m for 26.14 per cent of the airline's existing shares.

The rights issues would reduce the SAS voting stake to 23.5 per cent. When deregulation of European Community aviation takes place, however, the conversion of preference shares held by SAS would raise its stake to 40 per cent.

BA yesterday offered £9.72 in cash for each of BCal's unquoted shares. This compares with the £7.16 value of its share offer and the £20.44 partial bid by SAS.

Many aspects of the BA and United planned co-operation are similar to those envisaged by BCal and SAS.

United, which does not fly to Europe, will benefit from BA's extensive worldwide route system. BA will significantly increase its influence in the US market.

United carries more than 50m passengers a year, and serves 165 cities in the US and elsewhere, picking up Pacific routes from Pan Am earlier this year. BA carries 20m passengers a year and flies to some 150 destinations in 70 countries.

Sir Colin Marshall, BA chief executive, said that "given the restrictions which currently apply to the ownership of US airlines, and the fact that we do not compete directly with United, we see this type of arrangement as the best way forward."

"As liberalisation spreads worldwide, we would hope to see a greater strengthening of our position in a number of markets through co-operation with other airlines," he said.

"But until there is a truly free and fair market in civil aviation, with all carriers devoid of state subsidies, we must continue to look to this kind of deal to provide the growth and momentum which the market dictates we must have."

Al-Fayeds raise stake in Sears

BY MARTIN DICKSON IN LONDON

HOUSE OF FRASER, the stores group owned by the Egyptian Al-Fayed family, yesterday announced that it held about 10 per cent of Sears, one of Britain's biggest retailing chains, after buying a stake of more than 8 per cent from Bell Group, the Australian company headed by Mr Robert Holmes a Court.

Mr Geoffrey Maitland Smith, chairman of Sears, said he was "delighted" by the change of shareholder. Mr Mohamed Al-Fayed said the stake – which probably cost around £210m ($378m) – was a "sound long-term investment and is evidence of our confidence in the long-term future of Britain and the British economy."

House of Fraser's flagship is Harrods, the Knightsbridge store, while Sears owns Selfridges, its rival in Oxford Street, as well as the British Shoe Corporation, William Hill, the bookmakers, and several clothes retailers.

Sears has been surrounded for two years by bid speculation, which intensified in the summer when Mr Holmes a Court built up his stake. However, Bell group was hit hard by the stock market crash and has been forced to sell some large assets.

The City also took the view that a bid for Sears was now less likely and the shares fell 12½p on the day to close at 136p. House of Fraser bought 127.9m shares from Bell Group – apparently at a price of 145p a share – to add to the 21.5m shares it had acquired in the market.

Bad US trade figures push dollar lower

BY LIONEL BARBER IN WASHINGTON, SIMON HOLBERTON IN LONDON AND JANET BUSH IN NEW YORK

THE DOLLAR plunged to historic lows against major currencies yesterday after the release of October US trade figures which showed a record monthly deficit of $17.63bn.

Central banks intervened to slow the pace of the dollar's fall, but European officals said it was modest and designed to inject some order into a thin and volatile market. The Bank of England and West German, Swiss and Italian central banks were involved in the intervention and European officials said the US Federal Reserve also participated.

In Europe and North America, share and bond prices initially fell sharply on the news of the trade deficit. A prevailing belief that Washington is not prepared to support the dollar also undermined investor confidence in all markets.

Wall Street stocks recovered their losses later in the day on expectations that a lower dollar was good for US manufacturers.

In Washington, the trade figures were seen as a major economic setback for the Reagan Administration. It has promised for months that the merchandise trade deficit would turn round this year. But the strength of the US economy – defying the impact of last October's stock market collapse – has kept consumer spending strong.

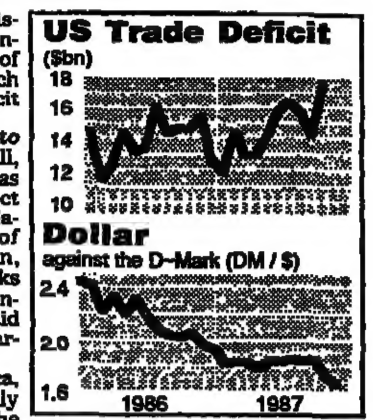
Mr William Verity, US Commerce Secretary, called the worsening trade balance disappointing and blamed the figures largely on import growth, much of which he said was seasonal.

US financial analysts agreed and they cited October's traditionally high level of imports in the run-up to Christmas. They predicted, however, that strong US economic growth in the fourth quarter, possibly as high as 4 per cent, would continue to suck in imports, further clouding the trade picture.

The $17.63bn shortfall between US exports and imports amounted to a 25 per cent increase over September's $14.1bn imbalance. Imports rose by 12.3 per cent to $39.38bn, with increases occurring across-the-board from cars to clothing and footwear. Exports rose 3.7 per cent to $21.75bn, almost as much as in September.

US analysts said the poor trade figures seem certain in the short term to push the value of the dollar down against the D-Mark and yen. The Reagan Administration has given no sign that it is opposed to a gentle decline of the dollar to boost US competitiveness in world markets.

At the same time, there are no indications that the Group of Seven major industrial countries will meet to co-ordinate policy. In Paris yesterday, senior Finance Ministry officials met



and agreed on broad economic policy directions but were unable to reach a consensus on the size, timing and detail of those policies.

US analysts expect financial markets to remain unsettled at least until the US Congress passes a two-year $76bn Federal budget deficit reduction package, probably just before the Christmas adjournment.

Mr Bob Giordano, a senior economist at Goldman Sachs, the New York investment bank, said: "The Administration may not feel that bad about the dollar falling another notch, but I think the trade numbers will start to improve from now."

In October, the US recorded deficit balances with Japan of $5.9bn (compared to $4.6bn in October), $3bn with Western Europe ($1.7bn), $1.8bn with Taiwan ($1.8bn) and $1.7bn with Opec countries ($1.6 bn).

Mr Verity, echoing recent criticism by senior US Treasury officials, said the US trade deficit with newly industrialised countries of the Far East continued to worsen, largely because they had failed to allow their currencies to appreciate against the dollar.

Mr Jim Wright, the House Speaker, said that the poor October trade performance increased pressure for Congress to pass a comprehensive trade bill. But the trade bill has become bogged down in House-Senate meetings and is not considered a top legislative priority. If the trade figures improve early next year, the chances of a Trade Bill will narrow sharply.

The poor trade figures were well in excess of the markets' worst expectation of a $16bn trade deficit. In Europe, shortly after their release, the dollar lost more than two pfennigs and two yen, and the sharpness of the falls triggered central bank action.

On Wall Street, the Dow Jones industrial average fell 47.08 to close at 1,855.44. In London, share prices, which had been relatively buoyant, plunged. The

Continued on Page 28

CONTENTS

ASTERIX THE GAUL IS BACK ON THE WARPATH

Asterix and his faithful companion, Obelix, have come to the rescue of a troubled French industry, Page 27

Law promised on party funding

BY PAUL BETTS

THE FRENCH Conservative Government is planning to introduce *legislation on political* party financing at a special session of parliament next month.

The legislation, which is likely *to involve* a system combining private and public financing of political parties, is expected to come into force before next *spring's* presidential election.

The Government's decision to introduce legislation follows a growing controversy over party funding and a spate of accusations and unsavoury scandals involving electoral "black funds" in the country. The succession of recent scandals have focussed public attention on the murkier aspects of French politics.

The Prime Minister's office confirmed the Government's decision to introduce legislation to regulate party financing after a meeting on Wednesday evening between Mr Jacques Chirac, the Prime Minister, and leaders of the main French political parties.

Mr Chirac had already discussed the controversial issue with party leaders last week and the latest meeting appeared to have produced an acceptable compromise for the introduction of party financing regulations in France for the first time.

The Government's proposed bill is expected to involve a mixture of public and private financing of parties in an effort to satisfy the conflicting positions of the Socialist opposition party and Mr Chirac's neo-Gaullist RPR. The Socialists had argued for the principle of public financing of parties, while the RPR was favourable to private financing.

At the same time, the legislation is expected to fix a ceiling on spending for next spring's presidential campaign. Initial suggestions have placed the ceiling at about FFr120m(£12m) for each candidate. France's main presidential candidates had early estimated the cost of their campaigns at around FFr100m-FFr200m each.

The main political parties also appear to have reached agreement for greater transparency in French party financing and the need for candidates to declare their personal incomes and wealth.

President Francois Mitterrand finally decided to intervene directly in the debate a few weeks ago

Taiwan joint venture plans chip plant

By Louise Kehoe in San Francisco

TAIWAN Semiconductor Manufacturing Company (TSMC), a joint venture of the Taiwan government, Philips of the Netherlands and private investors, plans to build a \$220m semiconductor manufacturing plant in Taiwan.

It will be one of the largest and most advanced of its type in Taiwan capable of producing the next generation of sub-micron semiconductor chips.

The new plant, TSMC's second, will serve as a semiconductor *foundry providing manufacturing* services to chip makers and designers. Unlike most semiconductor manufacturers, TSMC does not require *technology* or product design rights before agreeing to provide fabrication services.

Instead, it manufacturers chips to customer specifications without independent design or marketing of its own products.

The project, referred to as FAB II, will be located in the Hsinchu-based Science Park near the current *TSMC operations*. The new facility is scheduled for completion by the end of 1989.

South Korea's EC trade privileges threatened

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday called for South Korea to be stripped of its trade privileges in European Community markets, in retaliation for its refusal to give Community exporters adequate protection against counterfeiting.

Brussels is proposing that Korea should lose the duty-free access to EC markets allowed under the Generalised System of Preferences. GSP status allows developing countries to export a controlled amount to the EC without paying duty.

The measure,the toughest reprisal yet in a series of trade disputes with Seoul,is strongly supported by France and the UK. A senior Commission official said it had a good chance of being agreed by EC member states before Christmas.

"It would be the first time that the EC has suspended a developing country's GSP status and will cost Korean exporters an estimated Ecu50m (\$62m) annually in higher customs duties, mainly on textiles,cheap electronic goods and *microwave* ovens.

Brussels maintains that Seoul is discriminating against *EC exporters, especially* chemical and pharmaceutical companies, by failing to give them the same patent protection given to US competitors in the Korean market.

The row began last year when Seoul allowed US companies patent protection applied retroactively for seven years. That meant any Korean copy of a US product patented in that period had to be taken off the market.

More controversially, the deal allowed US companies automatically to extend patents covering manufacturing processes, to give the same protection to final products.

This blocked a legal loophole which had enabled counterfeiters to copy new products, so long as they used a different manufacturing process

Korea agreed earlier this year to allow EC companies retroactive patent protection. However, it claimed it could not allow process patents to be converted into product patents because the legal changes could not be implemented until next year.

Yesterday's decision results from Seoul's continued refusal to accept a Commission compromise that would have required no legislative changes. "We can *see no clear reason* for their refusal," said a Commission official.

Finsider faces major capital write-down

By John Wyles in Rome

FINSIDER, the Italian public steel company, will be forced to write down its capital by at least L1,800bn (\$1.47bn) next month because losses have reached the legally acceptable limit.

The Finsider board announced last night that the company had lost L969bn in the first nine months of the year on top of an unconsolidated L834bn last year. This meant the combined deficit totalled L1,803bn which is more than one third of the company's L4,387bn capital.

Under Italian law, any company accumulating losses of more than one third of capital must automatically write down its capital or otherwise be forced into bankrupty.

The proposal will be put to a special shareholders meeting on January 29. Since the IRI group holds virtually all of Finsider shares, approval will be a formality.

Finsider's move serves to highlight it grievous operating problems at a time when the management is putting the finishing touches to a recovery plan which is expected to cut 25,000 jobs and to close down some plants and to sell off others to the private sector.

Ceausescu stays away from Berlin briefing

By Leslie Colitt in Berlin

MR Nicolae Ceausescu, the Romanian leader, who last month faced workers' riots over low wages and harsh living conditions, has decided not to attend today's Warsaw Pact meeting with Mr Mikhail Gorbachev, the *Soviet* leader.

Mr Ceausescu has sent Mr Ioan Totu, the Romanian Foreign Minister, a candidate for full membership in the ruling Politburo, as his personal representative at the meeting at which Mr Gorbachev will brief his allies on the outcome of the Washington summit.

A Romanian Embassy spokesman in East Berlin said Mr Ceausescu was not coming because of the national conference next Monday of the Romanian Communist Party. But East European diplomats noted that the Romanian president had taken time to pay an official visit to Egypt shortly after the outbreak of the riots in Brasov.

"I suspect there is more," said one official. He noted that Mr Ceausescu had seen his past disarmament initiatives stripped of their novelty and co-opted by Mr Gorbachev without receiving any credit.

Although Warsaw was to have been the venue for this Pact meeting, East Berlin was given preference by the Soviet Union. This is regarded here as a reward for the encouragement the East German leadership gave to West Germany to agree to eliminate the medium range missiles *deployed on* both their territories.

In coming to East Berlin, Mr Gorbachev is continuing the close consultations with his allies which began in 1985 after the first summit

Brussels sets code for banks on credit card compatibility

BY WILLIAM DAWKINS IN BRUSSELS

A CODE *of good conduct for how* banks should make payment and credit cards fully compatible across the European Community *was issued yesterday by the* European Commission.

The move follows the recent signing of an outline accord between 40 top European banks to co-ordinate electronic payments systems. While the two are not connected, yesterday's decision gives political impetus to the banks' independent efforts to build a European card system.

Commission officials also emphasised that yesterday's announcement had no bearing on an inquiry by Brussels into whether the banks' proposed link-up might create an illicit cartel to customers' disadvantage. "We are completely agnos*tic. If it's legal, fair enough. If* not, we shoot," said a Commission official.

Brussels' voluntary code of conduct asks banks *to make* their cards, and the cash and point-of-sale terminals that go with with them fully compatible *across the EC by the end of* 1992, the Community's deadline for the creation of a genuine single market.

This will be backed up by a legally enforceable directive, due to be presented to EC governments by the Commission early next year, setting common standards for the inter-operability of cash cards and machines. The directive would allow cash and point of sales terminals to accept any major payment card issued in the EC. Any payments system conforming to these standards would be guaranteed free access to any member state.

The rest of the code deals with how banks should treat retailers using card systems. It says banks should avoid tying retailers to a single payment system through so-called "exclusivity" contracts. Neither should there be unjustifiable disparities in the fees charged to retailers for using payments systems in different EC countries.

The code has no formal legal force, but Commission officials say it could be cited in future court cases, for example by dis*gruntled* retailers wishing to challenge credit card charges. It is intended as a first step towards a wider and tougher EC *regulation* on the rights of customers and retailers using payments card systems.

Commission consumer protec*tion experts* are in the early stages of drafting a potentially controversial directive on credit and payments cards. Its scope is *far from decided*, but officials say it could set common rules on how customers can claim against banks that mistakenly debit their card accounts.

Impact of crash on growth 'to be reduced'

By Paul Betts in Paris

THE IMPACT on Western growth of the crisis in the international financial markets is likely to be less severe than ini*tially expected, the chairman* of an influential working group of the Organisation for Economic Co-operation and Development *(OECD) said yesterday.*

But Sir Geoffrey Littler, who is also a senior UK Treasury official, speaking after a two-day meeting of senior western monetary officials, warned that future market turbulence could upset this relatively optimistic assessment of the situation. He also conceded that the meeting had not considered what to do in the event of a new crisis.

The OECD recently cut by half a percentage point, to 2 per cent, its Western growth forecast for 1988 *in the wake of* the market crash in October. However, Sir Geoffrey said the effects of the stock market crisis were expected to be offset in part by a number of more positive factors.

These included recent evidence that - in some of the main industrialised countries, including the US, Japan, the UK and West Germany – expansion had been stronger than earlier expected in the few months preceding the October crash.

Moreover, there had been no "universal loss of confidence", as shown by the encouraging business expectations of a number of industrialised countries, Sir Geoffrey added. However, he warned that renewed market turbulence would clearly threaten confidence.

He also said that the levels which the US dollar had reached this year ought be adequate for the achievement of a gradual improvement in economic imbalances, provided the right policies were in place.

Sir Geoffrey said there had been complete consensus on broad economic policy directions at the two-day OECD meeting, *but heacknowledged* that there was disagreement on "quantum, timing and detail".

He said, *for example,* that offi*cials had all* welcomed the recent measures to promote investment announced by West Germany. However, he emphasised that *this did not* imply that everyone agreed this action was enough. "We agreed broadly but disagreed in detail," he remarked.

He also underlined that the gradual process of reducing economic imbalances was bound to take time.

Meanwhile and seperately, Mr Edouard Balladur, the French Finance and Economy Minister, said yesterday thathe intended to send to France's European partners proposals to strengthen the European Monetary System (EMS) and develop the *role of* the European Currency Unit (Ecu).

He claimed that the current *situation* was very dangerous for Europe as a whole and risked the imposition of serious repercussions on European competitiveness.

UK undecided over free food scheme

BY TIM DICKSON IN BRUSSELS

BRITAIN'S willingness to participate in a new Ecu108m(£77m) free food scheme promoted by the European Community appeared *to* be *in doubt* after a meeting in Brussels yesterday.

Under the plan, agreed unanimously by farm ministers, free quantities of butter, beef, fruit and vegetables and other items will be distributed through recognised charities to the poor and needy inside the Community. The idea is quite distinct from the long-established food aid scheme under which EC food surpluses are sent to developing countries.

Last January, the Community launched a temporary system of hand-outs for victims of the exceptionally cold weather in Europe but a key difference this time is that it will be up to member-states individually to decide whether they wish to take advantage.

At a briefing during yesterday's Farm Council in Brussels, Mr John MacGregor, Britain's minister, refused to say whether the UK would join in. "We will have to look at the detailed regulations and continue our discussions with the charitable organisations and in the light of this, decide what to do," he explained.

Britain's concerns are based on the administrative complexities of deciding who should qualify for a fixed quantity of food and on the widely-reported administrative chaos in the UK created by the earlier scheme.

Mr MacGregor's remarks are bound to be politically contentious and comparisons are certain to be made with the 500,000 tonnes of butter stocks which have been sold to the Soviet Union in the last year at knock*down prices. Moreover, Britain's* lukewarm response is in contrast with the enthusiastic welcome provided by all other member*states except the Dutch, whose* Farm Minister, Mr Gerrit Braks, has also appeared somewhat indifferent to the free food plan.

The likely explanation for Mr MacGregor's hesitation is his wish to emphasise Britain's concern about the organisational defects.

Giving away the food "mountains" may be politically attractive but it is not without problems even for the European Commission, which has to counter criticism that many of the hand-outs simply displace purchases that would have been made in the market place and that the food surpluses are therefore not reduced.

Unlike its winter predecessor, the new scheme will run for two years and will not be dependent on climatic conditions.

Giants clash over Telit affair

BY JOHN WYLES IN ROME

THE EVENTS leading up to the collapse of the agreement between the Fiat Group and Iri, the Italian state holding company, on setting up a new telecommunications joint venture were a source of bitter contention between the private and public industrial giants yesterday.

They have now produced quite conflicting accounts for a parliamentary committee of how negotiations broke down on the creation of Telit. The new company was to have been the vehicle for developing Italy's telecommunications presence at home and abroad through a merger of Italtel, the Iri telecommunications company controlled by the financial holding subsidiary, Stet, with Fiat's Telettra.

At the heart of the dispute is Fiat's justification for rejecting Mrs Marisa Bellisario, the Italtel managing director, as Iri-Stet's nominee to the same position in Telit. Mr Cesare Romiti, the Fiat managing director, claimed on Wednesday that Fiat reached a formal agreement with Stet in July that Mr Salvatore Randi, the Stet director general, would become managing director of Telit.

When in September it was made clear to him that Mrs Bellisario was the Iri-Stet nominee, Fiat withdrew from the project alleging that procedural agreements had been breached and that the whole venture was being tainted by political interference.

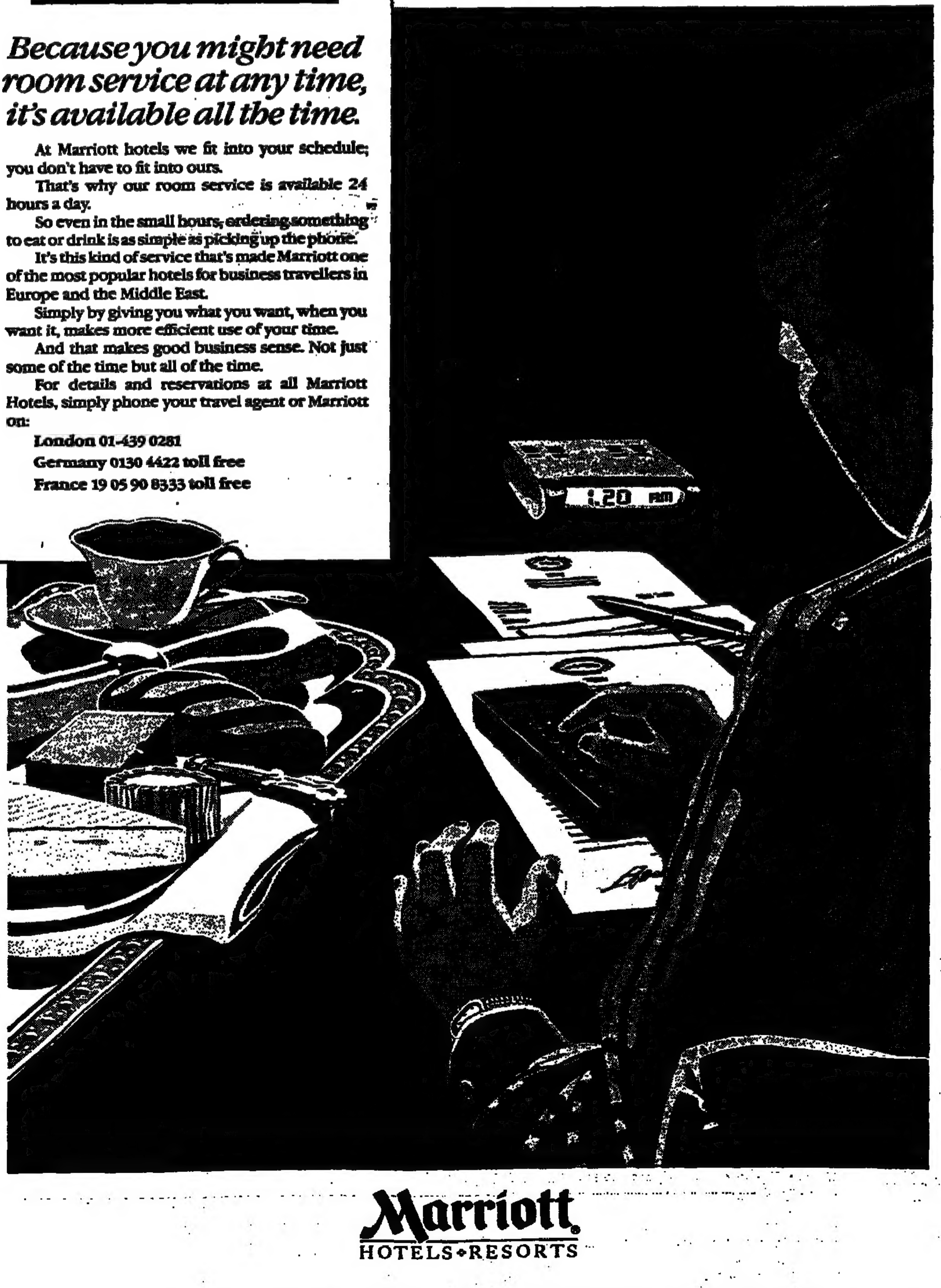
The Fiat version implies either that Mr Giuliano Graziosi, the Stet chairman, was entering into formal agreements without the approval of Mr Romano Prodi, the Iri president, or that Iri succumbed to political pressures from the Socialist party and abandoned Mr Randi in favour of Mrs Bellisario who has never made any secret of her Socialist links.

Challenging Mr Romiti's version, Iri last night published a letter written yesterday to Mr Prodi from Mr Michele Principe, president of Stet, denying that Mr Graziosi made any formal designation of Mr Randi in July. It quotes Mr Graziosi as saying that he intended to propose Mr Randi but that the final *decision* would have to lie with Iri.

Mr Romiti told the parliamentary committee that the agreement on Mr Randi had *been* made in accordance with the procedures laid down by the Telit accord. He said that on September 2 *an "embarassed"* Mr Prodi spoke of his "serious anxiety about the consequences for the Iri group if it did not officially *nominate Mrs Bellisario*". Any such justification for the appointment was "outside and contrary to" the criteria previ*ously agreed, Mr* Romiti told the committee.

When he was told on September 15 by Mr Graziosi that Mrs Bellisario would then have to be the Iri nominee to Telit, Mr Romiti said that Fiat decided that it would have to *pull out of the* venture because previous agreements were not being honoured. A subsequent mediation effort by Mr Antonio Maccanico, *the* president of Mediobanca failed to heal the breach.

Mr Romiti repeated that Mrs *Bellisario* was not being rejected because of *her* political connections but because a venture as important as Telit required "an *identity* of views between the partners and between the partners and the management without any interference in the run*ning of* the new company."



Ireland warned by OECD on budget deficit

BY PAUL BETTS IN PARIS

IRELAND WILL have to take further radical measures to reduce its government budget deficit to help improve its economic performance, the Organisation for Economic Co-operation and Development warns in its annual report on the Irish economy.

The OECD notes that despite recent efforts to reduce public spending, the Irish government budget deficit still represents almost 11 per cent of gross national product. With government debt *amounting* to about 140 per cent of GNP, the Paris-based organisation says that substantial and sustained fiscal adjustment is inescapable for Ireland.

Four key steps are recommended by the OECD to help reduce the government deficit. They include:

● *A reappraisal of social* welfare policies. The OECD says the current blanket coverage provided by social welfare transfers can no longer be sustained. Continuing protection for the most needy will require greater selectivity and in some cases this may be best achieved by subjecting benefits to income tax. It also argues that the Government will have to consider reversing part of the recent *real* increase in welfare benefits.

● More steps to introduce charges for key public services such as health and education to help eliminate waste.

● Strict limitations on pay in the public sector.

● A further reduction in government subsidies *and especially* grants for fixed asset investment. The OECD emphasises that government intervention in the economy remains much *more extensive than in most* other countries, with government subsidies and support taking 10 per cent of GNP.

The OECD also underlines the need for a large cut in Ireland's overall borrowing, adding that foreign indebtedness is such that new government borrowing abroad must be eliminated. New foreign currency denominated government borrowing amounted to more than Ir£800m(£710m) last year, or the equivalent of 5 per cent of GNP, and to about Ir£600m so far this year.

The agency concludes that it is crucial for Ireland to maintain *the momentum of fiscal adjust*ment to help achieve a sizeable and durable reduction of budget deficits.

Workers' profit-sharing comes to Soviet Union

A FACTORY in the Ukraine will break new ground next January *when it becomes the first Soviet* enterprise to offer its workers a share in the profits, **Reuter reports from Moscow.**

Mr Valery Samoilov, chief engineer at the Lvov Conveyor Combine in the west Ukrainian city of Lvov, said the factory had been losing staff because the existing *nationwide* bonus system did not guarantee them good money on a regular basis.

"We wanted to give them a solid interest in the company, avoid labour *fluctuations* and stimulate better work. So, from January 1, we will launch a kind of savings scheme for them," he said.

State television said last month the enterprise would be the first to offer workers shares in its profits. But Mr Samoilov said the *scheme was far from* Western-style shares since there was nothing to be traded and ownership of the plant would not change.

Instead, he said, two funds would be set up.

For the first, the factory had taken a three-year, interest-free loan from the state of roubles 3.5m(£3.5m) – equivalent to its wage bill for three months – to be deposited as a one-time gift to the 4,000 workers. The staff would receive 3 per cent annual interest on it and at the end of three years be able to choose whether to take it or deposit it in a long-term, higher-interest account.

The second fund would pay the workers 3 per cent of whatever profits the factory made every month, Mr Samoilov said. *The plant, which makes* automatic loading systems for container transport and trades with Hungary, Bulgaria and Yugoslavia, made a profit of roubles 11m last year.

Workers at the plant would continue to receive bonuses under the old system, the chief engineer added. "If a man works more, produces better quality with less waste, he will still get his bonus," he said.

But the problem with this system *was that* workers were *often* unable to fulfill their targets and earn their bonuses because suppliers, out of their control, failed to deliver.

Partly for this reason, 18 per cent of the staff left the combine last year, Mr Samoilov said. It was not clear what jobs they went to but any who joined co-operatives allowed by new enterprise laws could have considerably improved their earnings.

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Businessmen to sue Belgrade

BUSINESSMEN in Yugoslavia's rich Slovenia region said yesterday they would take the Government to court over its controversial economic austerity measures, **Reuter reports from Belgrade.** Mr Marko Bjulc, president of Slovenia's Economic Chamber, was quoted as saying *the* measures would cause social unrest and cripple the country's productivity.

Mr Branko Mikulic, the Prime Minister, last month implemented a price and wage freeze aimed at curbing Yugoslavia's 160 per cent inflation.

Tim Dickson reports on a political campaign which has failed to capture the popular imagination

Belgian socialists set to stay in political wilderness

BELGIANS have to provide a good excuse for not voting in general elections – or face a fine *of* BFr1,500 (£24).

This compulsion is perhaps just as well, for with only three days left before the country goes to the polls, boredom and disenchantment are likely to figure high on the list of any mitigating pleas.

The low key campaign has failed to capture the popular imagination, is complicated by a bewildering range of possible outcomes and, in the absence of any initiative on the country's bitterly divisive language problem, looks unlikely to throw up a government which will prove more stable than its consistently shaky predecessor.

The election was precipitated by the collapse in October of Mr Wilfried Martens' centre-right coalition of Liberals (conservatives) and Christian Democrats after *its repeated inability to* deal with Mr Jose Happart, a village mayor who refuses to take a proficiency test in Dutch, the official local language.

This dispute is rooted deep in Belgium's history and although, it seems petty it has become a focus for the economic, political and cultural rivalries between French-speaking Wallonia *in* the south and the Flemish-speaking Flanders region to the north.

As these divisions grew wider in the 1970s, the three major *political* parties each split into two, with the result that Belgium now has more political groupings than most democracies. Except in Brussels, which is officially bi-lingual, there are normally parties from only one side of the linguistic barrier on the ballot paper.

Belgium bans opinion polls within 30 days of an election – one reason perhaps for the tangible lack of excitement at this stage – but the evidence of soundings published by the local Flemish daily *de Standaard* suggested that the two Socialist parties (the PS in Wallonia and the SP in Flanders) would jointly *form the biggest parliamentary* bloc. This would also mean that the current coalition partners would be unable to form a majority. Another illegal poll published by the Flemish magazine Knack this week tended to reinforce this message.

The Socialists have been in the political wilderness for more than five years but there is *no* guarantee that they will be back in the Government after December 13. The campaign of the Flemish CVP, the dominant Christian party of Mr Martens, has centred very much on the economic policy achievements of the last administration and the Prime Minister has made it quite clear that he is in no mood to bring the Socialists back into the coalition.

He would prefer to continue the economic austerity programme in harness with the two Liberal parties, who are numerically much the smallest of the three main protagonists (though important in Brussels) and who thus have the most to lose from any swing to the Left. They will be hoping that, as in 1985 when the centre-right coalition was *unexpectedly swept back to* power, the voters on the day (and 25 to 30 per cent of the electorate is still uncommitted) will confound the evidence of the polls.

A Socialist/Christian Democrat coalition would almost certainly mean the departure from government of Mr Martens, who *is thought to have been made* an attractive offer by a Brussels law firm but who is also known to harbour ambitions on a European Community level (indeed, if the opportunity arose, as a successor to Mr Jacques Delors, the European Commission President). Mr Jean-Luc Dehaene, the present Health Minister who is on the left of the CVP, would then emerge as the dominant figure in the party, though Mr Willy Claes of the Socialists would be favourite to be the next Prime Minister.

Another possibility, at least for the short term, is a three- or six-way coalition involving all the major parties (and not inconceivably the Volksunie, the Flemish Nationalist party, which is expected to do well). Most observers believe that only thus *can the necessary two-thirds par*liamentary majority (plus a simple majority in each region) be assured for any package of constitutional reforms designed to reduce the tensions between the two Communities.

Exactly what this will involve will not be clear until the next Government draws up a detailed *policy programme*, but *at least* the options for further devolution of power to the regions – and, by implication, some clearer definition of the use of languages in Belgium and hence an end to the Happart problem – have been opened up by the so-called Declaration of Revision to the Constitution agreed before the last parliament was adjourned.

The potentially destabilising effect of the language row is a shadow which hangs perennially over the Belgian economy, the health of which is a prime election issue. But whichever combination of parties holds power, their scope for manoeuvre will be somewhat limited. This is especially so after the stock market crash and the fall of the US dollar, which caused Banque Paribas to revise downwards its *forecast for the increase in gross* national product in 1988 by 2 per cent to just a 1.5 per cent.

Under Mr Martens' austerity policies the Government's budget deficit has been reduced from 12 per cent to around 8 per cent of GNP – the latest official estimate revealed this week is BFr430bn for the current year – *but this* is still well above the European average and above the level at which government revenues will cover interest payments without the need for further borrowing (known as the snowball effect).

The deficit problem obviously limits the scope for action to reduce Belgium's high marginal rates of personal tax, the other key demand from the business lobby and one which is supported in varying degrees by all the major parties.

Although greeted with some scepticism by Belgian industry at the time, Mr Martens and his cabinet colleagues managed to agree *last August a package* of income tax cuts and further reductions in the budget deficit, financed by a modest dose of privatisation. Frustratingly for *those inside and outside the* Government who see the economy as the overriding priority, the language issue had raised its ugly head before parliament had a chance to turn these proposals into legislation.

Portugal's dispossessed urge better return for their shares

BY DIANA SMITH IN LISBON

LEADING shareholders of companies nationalised in Portugal's 1975 left-wing revolution are prepared to take their case to the *international courts if the Gov*ernment does not commit itself to improved compensation before it begins privatisation next year.

The Confederation of Portuguese Industry (CIP), Portugal's management confederation, has urgently requested Mr Anibal Cavaco Silva, the Prime Minister, to ensure that interest on compensation bonds given to dispossessed shareholders in 1980 is brought closer to market rates.

The bonds had a 28-year term and carried a sliding scale of interest, descending from 13 per cent a year for holders of up to Es50,000(£204) worth of shares to 2.5 per cent for majority shareholders. Meanwhile, infla*tion soared to 29 per cent in 1982* and has slowly descended to 9 per cent this year, making interest on compensation bonds valueless in real terms.

It is estimated that the real value of shares in hundreds of companies nationalised overnight in March, 1975 is Es2trillion. Compensation of a tenth of this has been offered by post-revolutionary governments.

Some 132,000 small and large *shareholders were affected by* the sweeping nationalisation in 1975. Small shareholders received reasonable compensation: the people running industry before 1975 were, and still are in their view, discriminated *against.*

Many used compensation bonds with official blessing, to buy half-crippled small compa*nies swept indirectly into the* state net in 1975, and have made a success of these. To have sat on the bonds at 2.5 interest a year would have been financial suicide, they believe.

Now that the Cavaco Silva Government proposes, in its words, to raise money from pri*vatisation to pay off accumu*lated state debts (incurred by nationalisation) and to strengthen other public enterprises financially, entrepreneurs are sharpening their weapons.

The Government's privatisa*tion proposals include* barring one individual or business group from acquiring more than 10 per cent of the capital of state-owned companies. Senior officials readily admit their concern that "economic groups" could form on the basis of acquisition of privatised capital.

Dispossessed entrepreneurs and the CIP argue that Portugal needs solid capital and entrepreneurial groups to withstand the consequences of fully-free flow of EC capital after 1992.

While CIP proposes as an honourable minimum an increase in the interest on compensation bonds, other entrepreneurs propose that the Government let *them acquire part of the* shares privatised in future. This, they feel, would be a token of recognition that the complexes of the revolutionary era have been buried and that dynamic entrepreneurs, whether they come from before 1975 or afterwards, can compete on an open market.

While many entrepreneurs and the CIP hope to find a negotiated solution avoiding international litigation, others are so sceptical about the willingness of the Gov*ernment to deliver real compen*sation for past confiscations that they would prefer to resort to international courts now, without waiting to see if the "study of the problem" which the Prime Minister has promised bears fruit.

They feel that the present administration is torn between the pressures of a strongly-established state-enterprise bureaucracy loath to yield the status achieved after nationalisation, the pressures of new entrepre*neurs not keen on giving way to* the old guard, and a feeling that, since it was not responsible for the nationalisations, carried out under Communist pressure, it is not obliged to make sweeping payments for them 12 years later.

Danes respond to Gorbachev military offer

By Hilary Barnes in Copenhagen

A LEFT-WING majority in the Danish Folketing (parliament) yesterday called on the non-Socialist minority coalition Government to support Soviet proposals for discussions between the Warsaw *Pact and Nato to limit* military activity in northern maritime areas.

The coalition, which did not treat the issue as one of confidence, rejected the opposition's case, but went down to a 74-59 vote defeat.

The Soviet proposals were made by Mr Mikhail Gorbachev in a speech in Murmansk on October 1. "Let us hear what he has really got in mind," said Mr Lasse Budtz, for the opposition Social Democratic Party

Mr Uffe Ellemann Jensen, the Foreign Minister, declared that Denmark must dissociate itself from any regionally-based defence policy schemes in the Nordic area and from the schemes outlined by Mr Gorbachev

These, he said, were directed against Western interests and did not call for any real restrictions on Soviet military activity in the areas concerned particularly the *Norwegian Sea (but not the Bar*ents and the Arctic Ocean).

Speakers on both sides agreed that the Soviet military build-up in the Kola Peninsular has contributed to ending the status of the Nordic area as a "low tension area" but they could not agree on the reasons for the build-up or *how to respond to it.*

More Manila bombs defused on summit eve

BY RICHARD GOURLAY IN MANILA

PHILIPPINE police yesterday defused two large bombs near Manila City Hall as a campaign continued to embarrass President Corazon Aquino's Government during the summit meeting of south-east Asian nations, Asean, which is getting under way in the capital.

A similar package of dynamite sticks was defused in Manila's business district on Wednesday less than 12 hours after two bombs exploded, one of them at the airport where the leaders of the six-member association will be arriving from Sunday.

Worries about security have dominated the preparations for the talks in Asean capitals.

Philippine Foreign Secretary, Mr Raul Manglapus, said they were "nuisance bombings" that would not affect the summit meeting.

He suspected the bombs were planted by followers of a rebel colonel who was behind an unsuccessful coup in January and who are loyal to former president Ferdinand Marcos.

Police on Wednesday captured a second rebel colonel, Gregorio Honasan, who led the most serious coup attempt against Mrs Aquino's Government in August this year.

Philippine officials were clearly delighted yesterday with the timing of the capture and Mr Manglapus said it would have a "positive impact on the preparations for the summit."

Reuter adds: Police said the rash of bomb incidents in Manila signalled a serious threat to Philippine stability.

Although the bombs had been defused they said they expected more such attempts by anti-government groups during the summit beginning on December 14.

The military said the bombs were not linked to Honasan, captured on Wednesday night, and blamed right-wing groups of renegade soldiers loyal to exiled former president Ferdinand Marcos.

Mrs Aquino said Col Honasan's capture removed a destabilising factor and would allay fears of regional leaders attending the summit.

A senior police officer, who asked not to be identified, said: "This latest attempt shows the threats from leftist and rightist groups are serious. They are keeping up the pressure to embarrass the government."

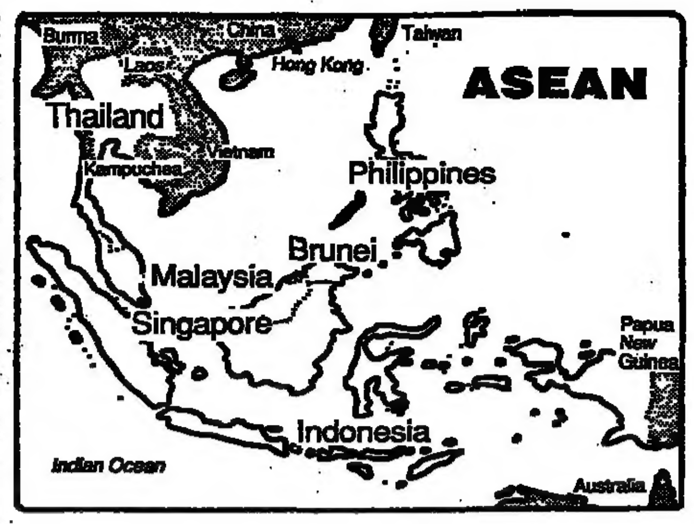
Manila has assigned 10,000 troops to secure the site of the summit on reclaimed land beside Manila Bay.

However, Philippine foreign ministry officials said on Thursday that Indonesia and Malaysia would bring naval flotillas to boost their security.

Mrs Corazon Aquino: embarrassed

Roger Matthews reports on the issues facing an all-too-rare political gathering

Security fears overshadow Asean summit



THE ARREST in Manila on Wednesday evening of Col Gregorio Honasan, leader of the attempted coup in August against the government of President Corazon Aquino, made a significant if small contribution to easing tension in the Philippine capital in the run-up to the summit meeting of the Association of South East Asian Nations due to open on Monday.

However, the summit will remain firmly in that category of political gathering which will be deemed a success primarily because it happened. If, by next Wednesday evening, Mrs Aquino has waved farewell to the heads of government from Indonesia, Thailand, Malaysia, Singapore and Brunei, without a serious security incident having blighted their deliberations there will be cause enough for satisfaction.

It can already be claimed that the willingness of the five to travel to Manila demonstrates their commitment to Asean and their appreciation of the political damage which would have been inflicted on Mrs Aquino had they insisted that the summit be held elsewhere. None can be entirely happy about their decision, which in some cases was taken against strong security advice and which is underlined by each new bomb explosion in the Philippines capital.

The causes of the attempted military coup in August, which came so close to toppling the Aquino Government, have not been eliminated, neither has the challenge from the Communist New People's Army been blunted. For those wishing to embarrass Mrs Aquino, the presence of five Asean leaders, plus Mr Noboru Takeshita, making his first foreign trip since becoming Prime Minister of Japan, offers an all too obvious temptation.

It is all the more regrettable that this shadow should hang over what is the first Asean summit in 10 years and only the third since it was formed 20 years ago. During that time the spectre of international communism overrunning the region has substantially diminished, in theory freeing the association to identify new goals for itself in a rapidly changing world.

Mr Lee Kuan Yew, Singapore's Prime Minister, has aired some of the issues he believes will need to be faced, such as Japan's emergence as the world's leading creditor nation and the US as the largest debtor, with all the inherent implications for local economies and regional defence.

The Philippines is unlikely to be deflected from its aim of drawing other Asean members into the debate over the future of the two massive American bases at Clarke and Subic Bay, the leases of which have to be renegotiated by 1991. Apart from its emergence as a political issue within the Philippines, the American military presence has taken on an additional importance for Asean with the Soviet build-up at the Vietnamese bases of Cam Ranh Bay and Da Nang.

It also highlights one of the paradoxes of Asean: that however hard it seeks to emphasise its economic and trading objectives it has been unable to escape the fact that its greatest cohesion has been achieved on security issues, in particular on its opposition to the Vietnamese military occupation of Kampuchea.

However, there too, Asean's role may be changing following the apparent progress during talks in France last week between Prince Norodom Sihanouk, who heads the coalition recognised by the United Nations, and the Vietnamese-backed Kampuchean Prime Minister Hun Sen. Should those talks continue to progress without the involvement of Asean it will be more than ever necessary for the association to find alternative ways of proving its worth.

One political irritant within Asean will be resolved during the Manila talks if, as expected, the Philippines formally renounces its claim to the East Malaysian state of Sabah. But there is a growing appreciation that sooner rather than later the organisation will have to address the more fundamental question of what sort of economic grouping it wishes to be.

In July last year, the Asean Chambers of Commerce and Industry decided they would try to give a lead by establishing a Group of 14 which was charged with charting measures for the advancement of economic co-operation and integration. The leading bankers and businessmen comprising what inevitably became known as G-14 provided the first direct private sector input into an organisation hitherto dominated by governments and bureaucrats.

The G-14 recommendations have been refreshingly direct. Its report to the Asean summit insists that "the economic dimension must be developed to the point where, for the first time, economics will truly be the central game in Asean."

Should the summit fail to grasp the economic imperative it would have lost a crucial strategic opportunity. G-14 concluded that whatever its imperfections there was no equal to the free enterprise system.

On the sidelines of the Asean summit next week there is certain to be academic discussion of the relative merits of free-trade areas, customs unions and ultimately common markets.

But, as the G-14 report points out, progress in implementing whatever agreements are reached in Manila is likely to be modest in the absence of a new political dimension to Asean. It particularly wants to see a strengthening of the secretariat and decisive changes to the role of the secretary general.

Japanese surplus cut to $4.7bn

By Carla Rapoport in Tokyo

JAPAN'S trade surplus with the rest of the world continued to shrink in November, because of rising imports.

According to the Ministry of Finance, Japan's custom-cleared trade surplus last month dropped sharply to $4.7bn (£2.6bn) from $7.3bn a year earlier.

Exports increased by nearly 12 per cent in the period but imports surged by nearly 50 per cent. In yen terms, exports dipped slightly in the month, while imports rose by nearly 30 per cent.

Higher petroleum prices were a major contributor to the rise in imports, but Japan's ratio of manufactured imports continued to grow.

Ministry officials welcomed the change but some expressed fears that the most recent bout of yen appreciation against the US dollar could cause the trade surplus to begin growing again.

Japan's trade surplus with the US dropped by $700m to $4.2bn in the month. Imports from the US grew by 40 per cent in the period, while exports were up by 2 per cent.

EC countries increased their sales to Japan by 62 per cent to $18bn, while exports from Japan to EC countries rose by nearly 30 per cent.

Ershad releases two top opposition leaders

BY SAYED KAMALUDDIN IN DHAKA

THE BANGLADESH Government yesterday released 19 political prisoners including the country's two top opposition leaders, Mrs Sheikh Hasina of the Awami League and Mrs Khaleda Zia of the Bangladesh Nationalist Party.

The two have been interned in their respective houses since November 11 for launching a countrywide movement aimed at forcing President Hussain Mohammad Ershad to resign.

Both were held under the preventive detention act of 1974 which allows a person to be detained for one month without formal charges.

After her release, Mrs Sheikh Hasina said she had had nodiscussions with any government leaders during her captivity. She said it would be possible for her party to participate in the next general election if it was held "under an interim government", but ruled out participiation if President Ershad remained at his post.

The present political crisis is the worst since President Ershad took power in a bloodless military coup in March 1982. He proclaimed an emergency on November 27, suspended all human rights and imposed press curbs in an attempt to bring the situation under control.

A week later he dissolved parliament asserting that he had acted "to clear the way for holding fresh polls to obtain an electoral mandate on a number of national issues, including the constitution".

The two mainstream opposition alliances led by the two ladies differ on the form of government which they would like to see under a new constitution. The Awami League wants to reintroduce a Westminster-type parliamentary democracy, while the BNP favours the existing presidential system.

The Government is now trying to the crisis through political dialogue with the oppostion alliances,but the latter seem to have hardned their position. A clearer picture may emerge over the next few days.

Ershad - uneasy mantle

Malawi nears IMF deal

By Victor Mallet in Blantyre

AFTER TWO years of difficult negotiations, Malawi and the International Monetary Fund are close to signing an agreement which will release much-needed money for Malawi, Victor Mallet reports from Blantyre.

It will also pave the way for a rescheduling next year of the country's debts to bilateral donors and commercial banks.

Malawian officials and Western diplomats are optimistic that both sides will approve a 15-month standby agreement for about SDR20m starting in January, 1988, as well as a structural adjustment facility, which could provide roughly the same amount over a three-year period.

First Gulf tanker sunk

A Singapore-registered tanker, the 85,000-tonne Norman Atlantic, yesterday became the first vessel to be sunk in the seven-year-old Gulf war, reports **Angela Dixon from Dubai.**

The ship, carrying a cargo of the highly-inflammable distillate, naphtha, went down near the Strait of Hormuz, some 20 miles off the Omani coast. It was hit last Sunday, and its cargo has been burning ever since.

Insurance rates for Gulf routes could rise even further as a result of the incident.

Meanwhile, Iraqi jets attacked a fully-loaded Iranian supertanker, the 218,467-tonne Susangerd, with an Exocet missile in the northern Gulf on Wednesday night, causing a fire on board and sparking fears of further Iranian retaliation.

Israeli army kills youth as rioting spreads

ISRAELI troops shot dead a Palestinian teenager yesterday as riots swept the occupied West Bank and Gaza Strip in protest at the killing of an Arab youth and the wounding of 16 by army gunfire, **Reuter reports from Gaza.**

Ibrahim Al-Aqeeq, 19, was shot during a violent demonstration in central Nablus, north of Jerusalem, and died at the city's Rafidiyeh Hospital, doctors said. Another man was shot and seriously wounded in the same clash.

Street barricades blazed in Gaza City and Palestinian youths fought running battles with troops, hurling stones, bottles and some petrol bombs as soldiers fired tear gas, rubber bullets and volleys of live ammunition over their heads.

At least five wounded demonstrators were admitted to Gaza's Shifa Hospital after widespread riots, strikes and a schools boycott spread through the teeming coastal strip, doctors said.

In several parts of Gaza, demonstrators pelted soldiers with rocks from behind barricades of burning tyres, wood, scrap metal and garbage containers.

"Gaza is totally closed. The roads are blocked, the streets are strewn with debris," an international relief worker said.

Arias urges superpowers to quit Central America

BY KAREN FOSSLI IN OSLO

MR Oscar Arias Sanchez, Costa Rican president and author of the Central American peace plan, yesterday accepted the Nobel peace prize for his efforts and urged the superpowers to keep out of his region.

In Oslo yesterday he pleaded with East and West "to leave the interpretation and the implementation of our peace plan to us".

He suggested, however, that East and West support efforts for peace instead of the forces of war in the region. Attacking US military support of the Contras, he pleaded for "plough shares instead of swords, pruning hooks instead of spears" to be sent to the people of Central America.

On Wednesday Mr Arias said that if peace was to be achieved in Nicaragua it was absolutely essential that the US should stop all funding to the Contra guerrillas.

He said yesterday: "If they, for their own purposes, cannot refrain from amassing the weapons of war...they should at least leave us in peace."

The Costa Rican president accepted the prize at a ceremony attended by Norway's King, other members of the royal Norwegian family, and Mr Willy Brandt, former Chancellor of West Germany and a Nobel peace prize winner in 1971. He said one reason he accepted the prize was because of Norway's passionate support of the peace plan and the country's eagerness for its success.

He said that if, in the years to come, peace prevailed in Central America it would in part be due to the faith of the people of Norway. Mr Arias also urged the strengthening of the world's institutions of peace to ensure that they could be used by the weak as well as the strong.

He turned his back on those "doubters and detractors" who believe that a lasting peace can be genuinely embraced by those who march under a different ideological banner, or by those more accustomed to the "cannons of war than to the councils of peace".

Oscar Arias: 'Leave us in peace'

Salvador activist murdered

A MEMBER of the Salvadorean Government's Human Rights Commission was gunned down outside his home in the eastern city of San Miguel, police said on Thursday, **Reuter reports from San Salvador.**

Mr Rene Joaquin Cardenas Vargas, was getting out of his car outside his home on Wednesday at about 8.30 in the evening when two men approached and riddled him with bullets. He died instantly, police said.

Mr Cardenas was the second human rights activist to be murdered in El Salvador recently. On October 26, a suspected right-wing death squad gunned down Mr Herber Ernesto Anaya, president of the non-governmental Human Rights Commission.

The Roman Catholic Church has warned of a rise in political murders by right-wing death squads. Leftist guerrillas have also pledged to step up actions, which included street killings of security force members.

Mr Anaya's death sparked a week of protests and caused the guerrillas to break off peace talks with the Government.

Mr Benjamin Sestoni, president of the Human Rights Commission, said: "We condemn this criminal act. Up to now, we cannot make any accusations, although we are in contact with the investigating authority."

Some glimmers of hope amid the US trade deficit gloom

BY ANTHONY HARRIS IN WASHINGTON

THE really bad news in the US merchandise trade figures for October is not the apparent lurch in the monthly figures - this is heavily influenced by the seasonal pattern of the motor trade. Imports to fill showrooms for the new model year have produced a spike in the deficit in October in three of the last four years.

It is simply that the underlying trade trend, in value terms, has still not turned, disappointing the hopes which had grown up during three successive months of improving figures. But the detail shows there is also some good news, even in the October figures.

The fact that the US trade figures are not seasonally adjusted tends to produce shocks of this kind from time to time. Even a simple calculation of the three-month moving average, which has always been regarded in Britain as a more reliable trend indicator, put the October figure into perspective. It shows that the major slide occurred during the first half of 1987, and that there has been no significant movement over the last four months.

The most important explanation, by a large margin, is simply the familiar J-curve. Exports, which are up some 14 per cent in value over the first 10 months of 1987, have risen only slowly in price, and the volume increase is 10.6 per cent. Imports have actually been growing more slowly in volume terms, and are up 7 per cent over the year so far.

US TRADE DEFICIT 3-MONTH MOVING AVERAGE $Bn	
March	13.07
April	13.41
May	13.30
June	14.23
July	15.40
August	15.95
September	15.41
October	15.80

But the weak dollar has raised prices sharply, so that the value increase is 20 per cent. The October figure on its own suggests that the volume trends are still improving sharply. Exports are 8.25 per cent above the 1986 volume, but imports are only 2 per cent up.

Car imports, which account for only 11 per cent of total US imports, explain nearly a third of the lurch between September and October. This is accounted for partly by price increases, though importers have been shaving their profit margins to protect their market share. Part of the explanation, though, is paradoxical.

Retail sales of imported cars are almost exactly the same this year as last, but inventories of unsold cars have risen sharply.

The high October imports reflect partly an attempt to revive sales by bringing in new models while last year's remain unsold, and partly, according to industry reports, an attempt by some of the weaker Japanese competitors to protect their quotas under the "voluntary" import restriction code, in which the allocation for 1988 depends on shipments in 1987.

In short, car imports have risen partly because sales have been disappointing. In addition, of course, the orders shipped in October were placed before the October 19 stock market crash.

The bigger underlying worries have had only a limited impact on the October figures - the steadily worsening oil balance, and the rise in component imports which will result from the growth of local manufacture by Japanese and other import suppliers.

Already this trend is reflected is higher imports of capital equipment for these satellite plants. Against this, however, the further improvement in the underlying volume trends still leaves room to hope that the trade balance will begin to improve in good earnest before long, as many US forecasters now expect.

UN officials find 'missing' war crime files

UNITED Nations officials have found almost all the war crimes files reported missing this week, according to a well-placed UN source, **AP reports from New York.**

The files were located in UN archives, and an official statement on the files might be made later this week.

It was reported on Tuesday that 433 of the 8,100 UN war crimes files had vanished under mysterious circumstances.

The formal announcement that the files had been found was withheld pending the outcome of an investigation ordered by Secretary-General Javier Perez de Cuellar.

"We are satisfied that the files were under proper security," a spokesman for the secretary general said.

Haiti announces new elections

NEW presidential elections in Haiti will be held on January 17, the country's military-led government has announced, **Reuter reports from Port-au-Prince.**

The announcement by the three-man government headed by Lt Gen Henri Namphy said the Government would name a new Provisional Electoral Council (CEP) today to organise the elections.

Diplomats said the fact that the military would effectively be organising new elections on its own terms was likely to cause widespread rejection of the new poll.

The country's first presidential elections in 30 years were held on November 29, but polling booth massacres by right-wing gunmen, acting with the apparent consent of troops who did not intervene, caused a suspension of balloting.

After the election day violence, Lt Gen Namphy sacked the sitting CEP - made up of nine representatives chosen by various civilian and religious groups.

Most of Haiti's organisations have rejected the sackings, accused the government of complicity in the election massacres and declined to cooperate with any government-named electoral council.

The influential Roman Catholic and Protestant churches, academics and journalists have already rejected the establishment of such an electoral council.

Canute James adds: The leaders of five Caribbean countries are visiting Haiti for talks with the military government and political leaders, in an effort to resolve differences over the conduct of presidential elections.

The group is made up of the Prime Ministers of Jamaica, St Lucia, St Vincent, the Netherlands Antilles and Aruba. An official statement said the Caribbean leaders will talk with Lt Gen Namphy and to the leaders of political parties, about the events which led to the abortion of presidential elections.

The Caribbean leaders had earlier said that the blame for the situation in Haiti must be shared by the military government, the political leaders and the country's electoral council which called off the voting. The group has also said its concern about events in Haiti is based on fears that a further escalation in violence would damage Caribbean tourism.

But diplomats in the Caribbean have suggested that the Prime Ministers' assessment is not shared by many in Haiti, who believe that the military government is to be blamed for the violence which led to the postponement of the elections. The diplomats say also that Haitian political leaders are disappointed that the Caribbean Prime Ministers are motivated only by fears of damage to tourism, and not by a concern for the welfare of the Haitian people.

US memorandum will bring Israeli defence boost

By Andrew Whitley in Jerusalem

ISRAEL and the US are to sign a new 10-year memorandum of understanding on Monday, elevating Israel to the same status as Nato member countries for the purposes of defence procurement and research and development co-operation.

The agreement, to be signed in Washington by Mr Yitzhak Rabin, the Israeli Defence Minister, and Mr Frank Carlucci, his US counterpart, replaces a more limited-scale agreement concluded in 1979.

According to the Defence Ministry in Tel Aviv, the memorandum will facilitate Israeli competition for US defence tenders. An increasing proportion of Israeli exports of military equipment and services are being directed towards the US.

But Israeli defence industry executives were cautious yesterday about the extent of the advantages which could flow from the country's enhanced status. "We have been promised equal footing with the Nato countries many times before. But it has never worked out in practice" said one company official.

A current focus of Israeli interest lies in the servicing of US military equipment stationed with Nato forces in West Germany; and Mr Rabin is expected to press Israel's case for a slice of this work during his talks next week.

Also on the agenda will be the Arrow project, the short-range, anti-ballistic missile system, threatened with the budget axe as a result of the latest cutbacks in US military spending.

THE SUPERPOWER SUMMIT

Glasnost takes its toll of Soviet spokesmen

Patrick Cockburn on press overkill at the summit

"GOOD", SAID Mr Sergei Komolov, a young Soviet diplomat, yesterday as one of his colleagues in the Soviet press centre in the Marriott Hotel in central Washington tripped over a cable and sent a constantly ringing telephone crashing to the floor.

After a week of dealing with 7,000 journalists, Soviet patience is a little frayed. Mr Mikhail Gorbachev, the Soviet leader, said the previous night that he had turned down 150 requests for interviews from Western correspondents because they all asked the same questions.

His irritation is understandable. After three summits since 1985 Western journalistic coverage has established a set pattern in which every topic is covered, largely irrespective of fresh developments. A sort of indiscriminate journalistic saturation bombing is released on the heads of readers of the *New York Times* and *Washington Post*, which ultimately tends to obscure what is going on.

In trying to cater for this massive appetite for news and comment about the Soviet Union and its intentions, Mr Gorbachev has come to Washington with his usual team of academics, journalists, party and state officials all willing to be interviewed.

Most have now given so many interviews over the past year that they have little fresh to say. This is true even of such new arrivals as Mr Vitaly Korotich, the editor of the radical weekly *Ogonyok*, and Mr Yegor Yakoblev, the editor of *Moscow News*.

Economists are represented by Dr Abel Agenbegyan, Mr Gorbachev's senior economic adviser and the deputy head adviser, and Mr Stefan Sitaryan, first deputy chairman of the state planning committee, Gosplan. Science is represented by Dr Yevgeny Delikhov, vice-president of the Soviet Academy of Sciences, and Mr Roald Sagdeyev, director of the space research institute.

All are intelligent and highly educated men, frequently speaking good English. Most achieved prominence before Mr Gorbachev came to power in 1985 as the progressive wing of the Soviet establishment.

They have flourished under the new regime, but they are also, unfortunately for the Soviet Union, atypical of the great moribund stretches of Soviet officialdom, which suspects them of being too clever by half.

Could these men be swept away by a conservative reaction? This is possible, but the success of Mr Gorbachev and his liberal supporters in defusing the demonology of the evil empire makes it difficult for any future Soviet government to return to the pre-1985 tradition of saying as little to the foreign press as possible.

In the early 1980s the Soviet government became extremely conscious that the vacuum of information it had created about the Soviet Union and its real policies made it extraordinarily vulnerable in any propaganda war. On the other hand, so long as there was an old or dying leader in the Kremlin, there was little the Soviet Union could do about this.

But by the end of 1984 efforts to put over the Soviet point of view were apparent. When the South Korean airliner was shot down in that year, Marshal Nikolai Ogarkov, the Soviet chief of staff, suddenly broke with precedent to give a press conference.

The evident Soviet success in influencing US public opinion this week will have a deep effect on the struggle between conservatives and liberals within the Soviet Union. Having uncorked the flow of information, it will be difficult to stop it up again.

Top Soviet hangs on to his hat

THE SOVIET armed forces chief of staff got a rare and friendly peek inside a tightly-guarded Pentagon decision room yesterday, then left the building after a polite refusal to surrender his hat, **Reuter reports from Washington.**

"This is the only hat I've got and I have to wear it on this trip," Marshal Sergei Akhromeyev was quoted by a US military official as saying after one American aide suggested he trade military hats with Admiral William Crowe, the chairman of the Pentagon Joint Chiefs of Staff as a souvenir of the unusual visit.

Admiral Crowe, who collects hats from around the world, hosted Marshal Akhromeyev at breakfast, then took his Soviet counterpart - the highest ranking Russian officer ever to visit the Pentagon - to a tightly-guarded joint chiefs of staff conference room.

The two military chiefs were dressed in full uniform with rows of colourful military ribbons on their chests.

In the small conference room, where the Pentagon's top generals and admirals meet regularly for decisions on military issues, Marshal Akhromeyev chatted lightly for about 20 minutes with the heads of the US Army, Navy, Air Force and Marines.

He left the building after a 90-minute stay, brown military hat still firmly on his head.

US postpones missile test

A TEST of a new Trident II ballistic missile was postponed yesterday so that it should not occur during the summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, **Reuter reports from Washington.**

The missile test is understood to have been rescheduled for Friday morning in Cape Canaveral, Florida.

"People weren't happy that the word got out yesterday that a test was scheduled," one official said. "And they particularly weren't happy that news reports focused on the fact the test would occur during the summit."

US defence officials had said the Trident launch would proceed on Thursday because the test was routine and held no particular implications for arms control talks between the two superpower leaders.

The Trident II, a modernised version of the Trident I nuclear missiles now deployed on US Navy submarines, has been test-fired seven times so far. The Navy plans up to 30 test launches before declaring the missile operational.

When word of the upcoming test surfaced on Wednesday, defence officials went out of their way to disclose that the missile would not be carrying its maximum load of dummy warheads and thus should not be controversial.

The question of how many warheads the missile carries during testing has evolved into a major issue of dispute between the White House and congressional leaders.

How 2,611 missiles will be smashed, exploded or crushed to smithereens

Robert Mauthner looks at the nuts and bolts of the most stringent ever arms control treaty

GIVEN all the glasnost between President Reagan and Mr Gorbachev, the disagreement over the publication of a memorandum of understanding stating the exact location and numbers on each site of the medium range nuclear weapons to be destroyed under the INF treaty has been one of the more unexpected features of the summit.

In a curious reversal of roles, the Soviet Union said it would publish the memorandum, while the US was still hesitating after arguing in the first instance that the technical information provided in the document was too sensitive to publish because it might be used by terrorists.

Yet even before its publication, officials revealed that the numbers of Soviet and US missiles to be destroyed under the treaty is somewhat different from the original estimates. The Soviet Union, which will eliminate twice as many missiles as the US – a smaller ratio than indicated by previous data – will be required to destroy 1,752 intermediate range nuclear weapons, while the US total to be destroyed is 859.

There are fewer operational Soviet longer-ranged INF missiles deployed than the original US estimates; 405 SS-20s, instead of 441, and 65 SS4s rather than the 112 originally thought, making a total in this category of 470. The Russians will also have to destroy 356 longer ranged missiles which are not currently deployed. In addition, they will destroy 387 deployed and 539 non-deployed short range INF weapons.

Of the US weapons to be eliminated, 429 are Pershing 2 and ground-launched missiles which have already been deployed in Western Europe, and 260 are non-deployed medium range missiles.

The roofs of missile plants will be rolled back to allow spy satellite inspections

The verification and inspection regime, under which an army of inspectors will ensure that 2,611 US and Soviet missiles are smashed, exploded or crushed into smithereens and that none is produced again, is the most stringent ever devised in an arms control treaty.

It provides for three types of inspection:

- A "baseline" inspection under which inspectors have the right within 30 to 90 days of the start of the elimination period to confirm at the site of the missile installations whether the data provided by the other side is correct.
- "Close-out" inspections at the end of the elmination period to make sure that all missiles have been destroyed.
- "Short notice" inspections over a 13-year period after the treaty comes into effect which are considered to be the jewel in the crown of the INF treaty by its drafters. Under this provision the US and the Soviet Union will be able to make 20 annual inspections in the first three year missile elimination period, 15 a year during the subsequent 5 year period and ten a year in the last five years. No more than half these inspections can be made in any one country.

For 13 years after the treaty comes into force there will also be continuous monitoring outside two missile assembly installations; the machine-building plant at Votkinsk in the Soviet Union and the Hercules plant No.1 at Magna Utah in the US.

Each side will supply the other with the names of a group of 400 inspectors. Of these half will carry out short notice inspections and the other half will be involved in continuous monitoring outside missile installations.

Under another important provision each party has the right for a period of three years to ask the other side to roll back the roofs of installations at which stages of strategic missiles, which could be confused with medium range missiles, are assembled. This measure is intended to facilitate inspection by spy satelites and was particularly requested by the US which believed that certain parts of the Soviet SS-25 strategic missile could be interchangeable with those of the SS-20 medium range missile due to be destroyed.

To facilitate the destruction of missiles each side is permitted to launch 100 medium range missiles and explode them in this manner over the first six months of the agreement. The remaining missiles are to be eliminated at special destruction installations. The warheads and guidance systems can be removed before arrival at the sites and the nuclear material in the warheads can be recycled in other weapons.

The treaty goes into the most detailed description of the methods which can be employed to destroy missiles and their launchers. Thus, for the Pershing 2 the missile stages shall be eliminated by "explosive demolition or burning" the front section, minus nuclear warhead device, and guidance elements "shall be crushed or flattened..." the launcher chassis shall be cut at a location that is not an assembly joint into two pieces of approximately equal size".

Anybody who thought that they might at least get away with an intact SS-20 missile transporter vehicle after all the crushing, flattening, exploding and burning had finished, must be sadly disappointed. "A portion of the transporter vehicle chassis at least 0.78 metres in length, shall be cut off aft of the rear axle" the protocol on procedures governing the elimination of the missile system sternly tells us.

EC proposes accord on all traded services

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Community yesterday unveiled its plan for negotiating the liberalisation of trade in services. It proposes that "all internationally tradeable services" should be covered in an international agreement on trading rules, expected to emerge from the current negotiations in the General Agreement on Tariffs and Trade.

All services were on the negotiating table as far as the Community was concerned, Mr John Richardson, the EC negotiator, said. The 12 had not yet decided whether, at the end of the day, they would want any individual service excluded.

Services are usually taken to include banking, insurance and other financial services, telecommunications, consultancy, tourism, health and education. Some analysts add construction and transport. Services already account for 20 to 25 per cent of world trade and are growing more rapidly than trade in goods.

In its "discussion paper", to be submitted next week to the Group of Negotiations on Services (GNS), the EC asks all countries to accept as a basic aim the progressive opening-up of their markets to purveyors of services.

It then spells out ways of reconciling this objective with the sovereign right of every country to regulate its services industries.

A mechanism for examining regulations should be established during the talks and later transformed into a permanent regulations committee, the EC suggests.

Its task would be to distinguish between national regulations, which could be regarded as appropriate, and those which should be regarded as inappropriate and subject to eventual elimination or amendment.

Negotiators would agree on the criteria to be applied by the regulations committee. For each services sector, these should include lists of policy objectives, accepted and inappropriate types of regulation, the EC suggests.

Any regulations which discriminated on grounds of nationality between different foreign suppliers should be regarded *a priori* as inappropriate, as should regulations discriminating against foreign suppliers compared with existing domestic suppliers.

Acceptance of these two criteria would embed in any final agreement the Gatt principles of non-discrimination and national treatment, requiring that foreigners receive the same treatment from governments as that afforded to domestic service industries.

Once the GNS had agreed which regulations were inappropriate, they should be subjected to gradual elimination or amendment, the EC proposes.

This would be done by negotiating periodically package agreements designed to move each services sector towards "comparable market access" in all countries.

Governments would also bind themselves, in periodic agreements, to provide similar levels of market opportunity in particular sectors.

The idea of gradual, progressive movement towards the objective of more liberal trade in services distinguishes the EC approach from that of the US, which proposed last month that a framework agreement be reached by the end of 1988 and implemented by the end of the Uruguay round of negotiations.

While the US wants general principles spelt out and applied, the EC proposes a more flexible procedural approach, leaving the way open for the conclusion of sectoral agreements in specific services.

However, the EC accepts that principles of behaviour may be have to be spelt out for national monopolies and companies with dominant positions. It also foresees the need for rules on government procurement and for a dispute settlement procedure.

Some exceptions should be allowed, the EC suggests, in particular the right of economic entities such as the Community "to liberalise regulations more rapidly among its member states than with respect to third countries".

Jakarta ministries row delays power project

BY JOHN MURRAY BROWN IN JAKARTA

A ROW between Indonesian ministries has delayed contract finalisation of the largest project under the £140m soft-loan agreement with the UK signed last year.

The dispute between the Co-Operatives Ministry and PLN, the state-run electricity utility which comes under the Ministry of Energy, is over management of a £48m rural electrification scheme in Sumatra. Northern Electric Industries (NEI) of the UK is the officially-designated supplier under the loan agreement.

An additional complication has been a call from the Ministry of Research and Technology for locally-made parts to be used for the project. The UK has so far resisted demands that soft-loan finance be used to cover local costs.

The dispute is preventing final agreement between NEI, its bankers, Standard Chartered, and the Indonesian authorities. It highlights the problems facing companies offering projects financed by loans, which should be spent with the donor-country.

"We're confident that we can resolve these difficulties, but it's not going to happen quickly," NEI said.

UK suppliers are now worried the wrangle could jeopardise their chances on other contracts, particularly in the power sector, which depend on future soft financing.

The dispute comes at a time when competition for Indonesian contracts is mounting.

France, having shown greater initial reluctance to accept Indonesia's strict soft loan terms, has just signed a new protocol, worth FFr1.5bn (£15bn).

Japan is to announce reductions in interest rates on soft loans as part of the proposed $2bn assistance to members of the Association of South East Asian Nations. Officials from Bappenas, Indonesia's Planning Ministry, are in Tokyo to finalise details of the package, to be unveiled when Japan's Prime Minister, Mr Noboru Takeshita, attends the Asean summit in Manila next week.

Under the new terms, Indonesia and Japan last week signed a new soft loan worth Y88bn (£413m), repayable over 30 years

New TNT order for BAe

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TNT, the Australia-based but world-wide operating transport organisation, has contracted for a further three British Aerospace Type 146 Quiet Trader four-engined jet freighter aircraft, worth about $60m (£33m).

This brings to eight the number of these aircraft ordered by TNT.

The aircraft are part of the fleet of 72 Quiet Traders it intends to buy over the next five years from British Aerospace, involving an investment of about $1.5bn.

UK role in studies for Danish railway

By Andrew Taylor

DANISH STATE Railways is considering building an underground and light railway system in Copenhagen.

The underground system would be equivalent in scale to the Victoria line in London, which engineers estimate would cost more than £400m to build at present prices.

Sir William Halcrow, British consulting engineers, and B. Hojlund Rasmussen, Danish consultants, have been appointed to carry out feasibility and engineering studies.

A large number of cities in Europe, north America, the Middle East and Far East are developing plans for mass transit railways, likely to provide one of the few growth areas for international construction over the next few years.

The Danish proposals would mean building an underground line from Fredriksberg mainline railway terminus, near the centre of Copenhagen, eastwards to Krastrup Airport. It would connect with the existing city centre underground network and involve the construction of 10km of tunnels and 10 new underground stations.

The British and Danish consultants have also been asked to consider proposals for a light rail system which would link Fredriskberg station and other parts of the city centre with the airport.

A light railway would be considerably cheaper to build than an underground line but could could seriously affect traffic patterns in a city centre when it is completed

Halcrow says the Danish Government will not decide whether to proceed with either project, both, or even parts of both, until the consultants have delivered their final report next year.

Halcrow has previously provided design work for an underground system for Athens, which was recently put out to tender. It was one of the engineering consultants involved in the first stage of the Singapore mass rapid transit (MRT) railway, opened recently. It also helped prepare prepare preliminary designs for the Taipei Metro in Taiwan.

Mr David Buckley, partner in charge of the Copenhagen studies, said: "The need to develop transport systems capable of moving large numbers of people quickly and easily through or below the crowded streets of modern cities is growing.

"In the US, cities like St Louis have recently gone out to tender for an underground railway while Los Angeles is due to start work, or may already have done so, for another underground railway."

In the UK, Manchester, Leeds, Birmingham and Bristol are among cities with plans to develop mass transit systems following the successful completion of the first stage of the Docklands light railway in London.

UK-Polish computer sales drive

By Christopher Bobinski in Warsaw

DIGITAL Laboratories International, the first UK-Polish joint venture, is to start by supplying computers to Polish schools.

The shareholders are Active Technologies, an electronics trading company from the UK, the Polish Unimor and Elwro State-owned electronics companies and Labcomp, a new computer software co-operative in Warsaw.

Digital is planning to supply 22,000 computers to schools within the next 18 months, first as finished products and later as components for assembly in Poland.

US-Canada pact under pressure

BY NANCY DUNNE IN WASHINGTON

THE US-CANADIAN Free Trade Agreement is under new deadline pressure because Congress is facing such a heavy workload that consideration of the pact may be delayed for months.

Two key committee chairman – Senator Lloyd Bentsen of the Senate Finance Committee and Mr Dan Rostenkowski of Ways and Means in the *House of representatives* – have written to Mr James Baker, US Treasury Secretary, to suggest that the US administration not even submit the agreement until June 1.

The president is required to sign the agreement by January 2 if it is to be dealt with under the fast-track procedure which prevents Congress amending it.

However, the two chairmen said Congress had not been adequately consulted because the governments were so late in approving the final text. "This is regrettable, and we have every right to expect that it will not be repeated in future fast-track neggotiations. The signing of an agreement before Congress has fully reviewed the text jeopardises its chances for later approval under the fast-track and creates doubts about the wisdom of fast-track procedures," they said.

The chairmen and their committees have been so tied up in working on budget and tax legislation that they have been unable to finish the omnibus trade bill they had made a priority this year.

"Given the Congressional schedule for the next few weeks, it is unlikely that full consultations (on the FTA) can occur before Janaury 2, 1988," the letter said. However, if circumstances permit earlier action than June 1, "we can by mutual agreement move up the date for introduction."

The FTA schedule calls for the agreement to be implemented on January 1, 1989. The two chairmen said the timetable they were suggesting will assure that Congress will take action before the end of next year.

David Owen on a consequence of the US-Canada trade deal

Auto pact scuppers Asian hopes

ONE OF the trickiest problems confronting negotiators of the US-Canada free trade agreement initialled in October was the need to bring the auto pact, which has governed automotive trade between the two countries since 1965, into the modern world without offending Canadian sensibilities.

The pact, which many Canadians regard as sacrosanct, ushered in a period of free trade with strings in the US-Canadian auto sector, providing for the passage of new automobiles and original equipment parts (excluding tyres), subject to certain conditions.

On the US side, automotive products were accorded duty-free entry from Canada only if they met a 50 per cent North American content requirement. On the Canadian side, various Canadian assembly and value-added targets were stipulated.

Under these ground rules, the volume of automotive trade between the two countries has risen rapidly. The bilateral trade flow totalled almost C$64bn (£26.7bn) in 1986, with Canada enjoying a C$5.1bn surplus.

But the auto pact was conceived in an era when annual Japanese vehicle production was below 1m units and South Korea had still to achieve newly industrialised country status. In today's increasingly competitive North American marketplace, with overcapacity looming and both countries vying to attract east Asian direct investment, the pact has been subjected to increasing strain.

The negotiators have accordingly moved to reduce this tension by proposing a number of measures which appear to work unequivocably to the advantage of General Motors, Ford and Chrysler – the big three Detroit-based manufacturers.

First and foremost, the auto pact has been recast as a private club. The dual undertakings of Canada not to allow additional companies producing vehicles domestically to qualify as eligible manufacturers and of the US not to introduce comparable programmes "without consultations" appear to scupper the ambitions of Honda and Suzuki and others to join the pact by the mid-1990s.

The pact, which many Canadians regard as sacrosanct, ushered in a period of free trade with strings in the US-Canadian auto sector, providing for the passage of new automobiles and original equipment parts (excluding tyres), subject to certain conditions

Persistent rumours that the final legal text of the bilateral agreement completed this week may contain some changes on auto trade from the preliminary transcript have kept alive the hopes of some south-east Asian producers. However, the latest word suggests that the only additional operation deemed eligible for benefits under the pact will be the Ingersoll GM-Suzuki joint venture in Ontario.

The commitment to eliminate over five to 10 years bilateral tariffs on original equipment (including tyres) and after-sales parts means that foreign companies with North American plants will be able to ship vehicles and parts across the 49th Parallel duty-free by the end of the century.

But even then they will have to meet a new North American rule of origin "based on 50 per cent of the direct cost of manufacturing" to qualify. This rule is estimated to be 10 to 25 per cent tougher than the content requirement enshrined in the original Auto Pact because of the exclusion of non-manufacturing costs.

Second, the agreement spells the end of the alluring duty remission schemes which Ottawa has used to entice south-east Asian carmakers into setting up shop in Canada. Under these schemes, non-North American producers have been promised duty remission on imports of foreign vehicles as a reward for the export of Canadian-made parts to the US or elsewhere.

While the practice should help ensure that Canada will be producing a disproportionately large share of south-east Asian vehicles by the early 1990s, it has rankled in the US where it is seen as an objectionable revival of the Canadian duty remission scheme of 1962-63, which quickly precipitated a countervail suit and eventually the auto pact.

In both programmes Canadian exports to the US were promoted by remitting duty on imports into Canada. But 25 years ago, the argument runs, the imports themselves at least came from the US. In the 1980s reincarnation, the bulk would originate in south-east Asia.

Under the terms of the deal, the two sides have agreed to terminate duty waivers linked to exports to the other party upon implementation of the agreement on January 1 1989. Canada, meanwhile, has undertaken to terminate production-based duty waivers by 1996.

Finally, auto pact members have retained the right to import parts and vehicles duty-free into Canada from overseas, in spite of stiff opposition from the US automotive parts industry. In 1986, this right (which is not available to the industry in the US) saved the big three manufacturers almost C$300m in duty payments.

The retention of this loophole has enabled Canadian proponents of the trade deal to counter the argument that the elimination of tariffs undermines Canada's ability to impose sanctions against transgressors of the auto pact

Taiwan $ rise hits local profits

By Bob King in Taipei

THE NEW Taiwan dollar is approaching a level that will cause severe problems in many industrial sectors. A government poll of some 4,000 companies, released this week, shows that most believe they cannot sustain profitable operations if the Taiwan dollar rises above NT$28 to the US dollar.

The Taiwan dollar closed yesterday at 29.2 to US$1 – an increase of about 28 per cent since late 1985.

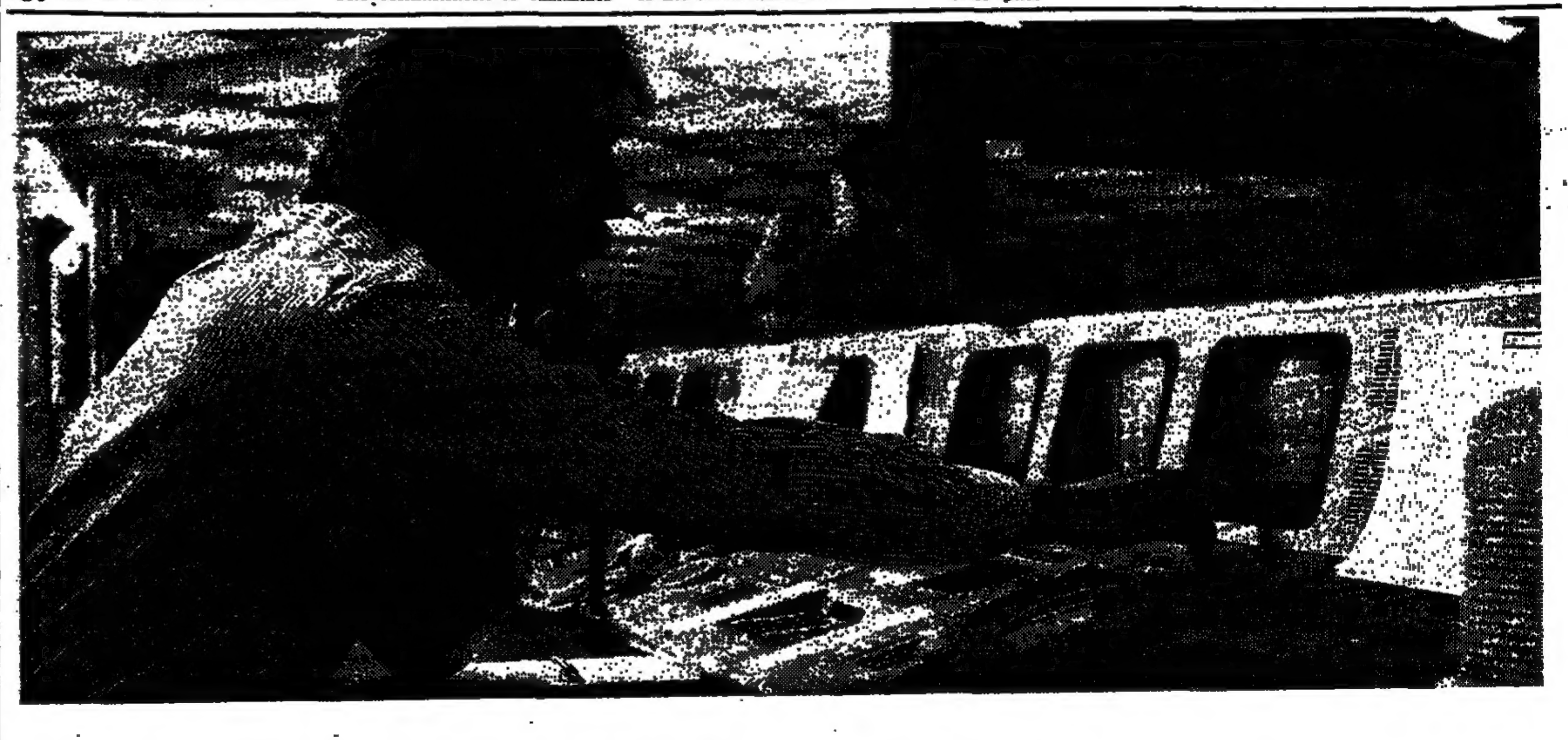
A trade official conceded that the poll was less than scientific but private talks with manufacturers and exporters indicate that for many companies, especially those dealing in low- and mid-range goods, the crunch has come.

Manufacturers of apparel and footwear items sold in the lower end of the market are increasingly moving their labour-intensive operations offshore to newly-developing countries in the region where costs are lower and exchange rates relative to the US dollar are more stable.

The Central Bank in Taiwan, while intervening frequently with large purchases of US dollars to slow the local currency's rise, maintains that only market forces are behind the currency's rise. But it is clear that the US, whose trade deficit with Taiwan this year will substantially exceed last year's $13.6bn, continues to make known its wishes that the Taiwan dollar should continue to appreciate.

In addition to moving their operations offshore, companies here have increasingly sought new markets in areas such as Europe, in a bid to avoid losses as the US tightens the trade screws. Reflecting this new emphasis, exports for the 11 months to end-November to West Germany were up by 59 per cent; to the UK, 61 per cent; to the Netherlands, 62 per cent; to France, 79 per cent; and to Italy, 72 per cent.

Imports from these countries also expanded by considerable amounts during the 11-month period.



Retail sales may be steadying

By Ralph Atkins

SIGNS THAT the buoyant upswing in Britain's retail sales may be steadying are shown in a Confederation of British Industry/Financial Times survey published yesterday.

The survey shows that sales in *November were lower than* retailers expected. The CBI, the employers' group, said the recent slide in share prices does not appear to be affecting sales volumes, however.

The CBI added that rising real incomes would continue to push sale up strongly in the next few months. It also predicted strong Christmas trade but retailers expect a later surge in sales than in previous years.

In November, out of 266 retailers questioned, 56 per cent said sales had increased compared with the same month last year and 16 per cent reported falls.

Mr Nigel Whittaker, chairman *of the survey* panel, said: "The results of the November panel confirm our belief that the underlying growth rate of retail sales is now steadying and that, *while growth will continue to* be solid, we are unlikely to see rates of growth quite as rapid as at this time last year."

The results come ahead of official monthly figures for retail sales to be published next week. The latest figures show sales in the three months to October were 6½ per cent higher than the same time last year.

Cockfield criticises attitude on EC

BY GUY DE JONQUIERES, INTERNATIONAL BUSINESS EDITOR

LORD Cockfield, Britain's senior European Commissioner, strongly criticised the UK yesterday for opposing parts of the European Community programme to create a single internal market by 1992.

Much of the Government's opposition was based on a failure to understand the issues involved, he said in London in a *speech to the European League* for Economic Co-operation.

Awareness in British Industry of what the Community meant and the opportunities it offered *was also among the lowest* anywhere in Europe and was a source of real concern, although he welcomed a recent Government initiative to alert companies to the *internal market* programme.

Lord Cockfield, a former Conservative cabinet *minister*, was particularly scathing about Britain's role in "first blocking and then eviscerating" a proposal to allow free movement of citizens across frontiers, which was central to further community integration.

"Inevitably, the impression left by the present negative approach of the UK Government is that we wish to be no part of Europe; that we wish to retreat behind our fortress walls and pull up the drawbridge," he said. "If this impression is wrong, it shows how much the UK has to do to repair its image in the rest of the Community."

Lord Cockfield acknowledged that Britain had always supported the broad thrust of the internal market programme. But it could not simply pick and choose the parts it liked, because *the success of the plan* depended on its being approved as a complete package.

He had hoped the launching of the plan would give Britain an opportunity to assert leadership in the community after years of wrangling over the terms of its membership. "But it has not proved to be so," he said.

"If you belong to a community, you have to accept that at the end of the day it is the community interest which prevails. We are far from accepting this. We are not alone in this. But that is not the company we ought to be keeping. The leadership of the Community is passing into other hands."

Some of his remarks appear directed particularly at Lord Young, Trade and Industry Secretary, who recently said that US experience showed that the Commission's controversial proposals to align national indirect tax rates were not necessary to create a large *internal market*.

However, Lord Cockfield insisted that US experience showed the reverse and had formed the basis of the Commission's approach. *He recognised* Britain had difficulties with the proposal, although they were based more on political than fiscal, financial or economic grounds and were much less severe than those faced by some other community governments. The Commission was ready to discuss ways of solving them.

Lord Young has also warned that the internal market plan must not result in unnecessary harmonisation and burdensome regulation. Lord Cockfield said yesterday that it was a "total misunderstanding" to suggest that the Commission favoured harmonisation for its own sake.

While some degree of harmonisation was necessary, it had been restricted to essential matters. The Commission's approach emphasised mutual recognition of national differences and it had consistently proposed less harmonisation than many community states wanted.

Scargill warns of job losses in coal plan

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH COAL'S senior management plans a radical re-structuring of the *corporation's organisation which could lead to between* 6,000 and 7,000 job losses, mainly among clerical staff, said Mr Arthur Scargill, president of the National Union of Mineworkers yesterday.

Mr Scargill said the re-structuring would centralise authority within British Coal as the corporation's various areas would be replaced by three regional units.

He predicted that the reorganisation would be accompanied by changes in the corporation's top *management, including the* promotion of Mr Albert Wheeler, the area director in Nottinghamshire.

Mr Wheeler is widely regarded as the inspiration behind many of the changes to working practices sought by the corporation, including six-day production and greater sub-contracting.

Although many of Mr Scargill's claims have proved accurate, British Coal last night described this claim as "pure speculation." However, the corporation said that in common with other businesses, the organisation of the industry was kept under continuing review.

Mr Scargill said the reorganisation was part of the corporation's strategy to prepare the industry for privatisation, although other members of the union's national executive suggested Mr Scargill's warning of job losses was aimed at boosting his vote among white collar workers in January's NUM presidential election.

Cosa, the NUM's white collar section, last night became the third of the union's sections to nominate Mr John Walsh, the *North Yorkshire NUM agent for* the presidential election.

Plans to repeal out of date job legislation

By John Gapper, Labour Staff

THE GOVERNMENT plans to repeal legislation restricting the hours and times that young people can work and the types of jobs which women can undertake, Mr Norman Fowler, Employment Secretary, announced yesterday.

Mr Fowler said the Government - which plans to introduce legislative changes as quickly as possible - wanted to preserve "real safeguards" for young people at work but believed much legislation was now out of date.

The 92-page consultative document proposes amendments to three sets of legislation:

●Young people. There were 887,000 young people in the 1985 Labour Force Survey, and legislation covering their employment is described as "highly complex, inconsistent and in many cases out of date."

It is proposed to repeal legislation which restricts hours and times of work, limits overtime, weekend work, shiftwork and nightwork.

●Protection for women. The paper argues that legislation restricting the type of work that women can undertake in industries such as pottery, lead manufacture and mines and quarries, is now outdated.

●Sex Discrimination Act 1975. Section 51 - which provides general protection from liability under the Act to a person required to take discriminatory *action under earlier legislation* - is to be repealed.

Smith New Court profits sharply up

BY CLIVE WOLMAN

SMITH New Court, the only large UK securities firm which is independently listed, yesterday announced a trebling of its half-year profits in a period which included the first week of the stock market crash.

Its pre-tax profits of £10.5m *for the six months to October 23* were calculated after making a £4.4m provision for client defaults as a result of the crash and losses from sub-underwriting the *British Petroleum* issue. Smith added that it had traded profitably in the weeks since October 23 despite the fall-off in volumes.

The company's success contrasts sharply with the experience of the two other leading equity market-making firms, *Barclays de Zoete Wedd, which* lost about £60m, and Warburg Securities, which also suffered substantial, albeit smaller, losses.

Mr Tony Lewis, Smith New Court chairman, said that the results were an effective rebuff to the stock market rumourmongers, who had been claiming *that the firm had suffered* large losses in the crash and was seeking a capital injection. The company used its capital economically and effectively, he said, and had no need of the capital resources of the large banks which have increasingly dominated the UK securities market. The firm, he added, would be seeking opportunities to expand and recruit staff laid off from other firms.

The company announced an interim dividend of 2.5p per share net of tax compared with 2.0p *for the same period last* year, when its pre-tax profits were *£3.4m*. After allowing for the effect of a new equity issue during the summer, the company's earnings per share rose from 6.4p in 1986 to 13.8p. Its earnings *in the last full year* to April 24 1987 were 20.3p per share, corresponding with a pre-tax profit of £10.4m.

The share price yesterday rose 20p to 213p on the announcement of the results before falling back to 203p.

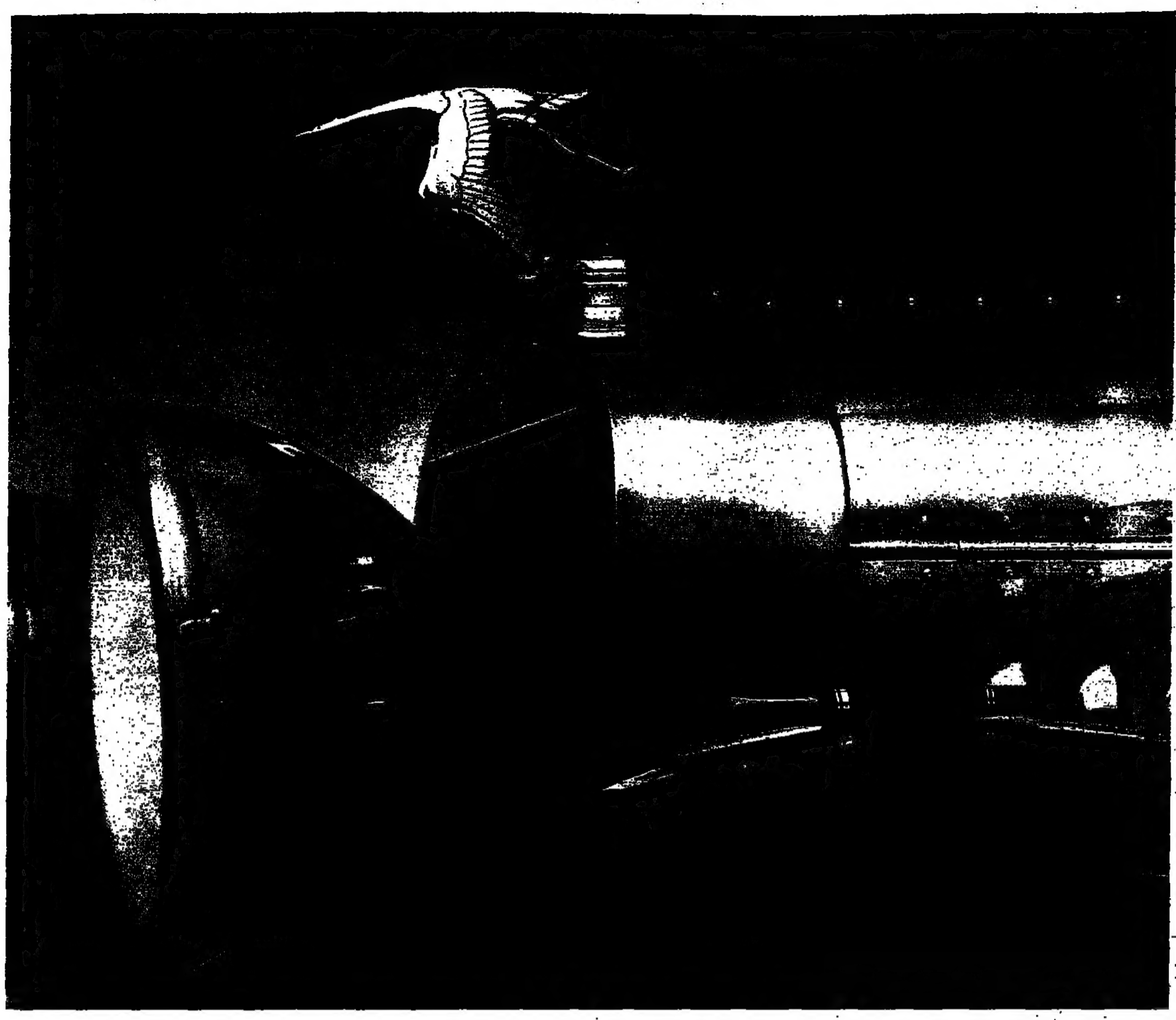
Post union acts to avert revolt

BY JIMMY BURNS, LABOUR STAFF

LEADERS OF the UCW postal union yesterday claimed to have averted a major revolt by their rank and file which would have effectively dashed hopes of peace over the Christmas period.

Mr Alan Tuffin, UCW general secretary said last night: "Before today there was growing *opposition* and the risk of a real backlash...we have now steadied the situation."

Mr Tuffin said he had to reassure London officials that in a deal struck by management and UCW leaders last week, the union leadership had not sacrificed the earnings of Post Office workers *in return* for a 1½-hour cut in the working week.



Journalist faces jail for not revealing sources

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A JOURNALIST faces being fined or sent to jail for refusing to co-operate with Trade Department inspectors investigating suspected leaks of price-sensitive information to a £10m insider dealing ring.

Mr Jeremy Warner, formerly with The Times and now business correspondent of The Independent, has refused to identify to the inspectors the sources of information on which he based articles about pending government decisions on takeover bids.

Five Law Lords yesterday decided unanimously that he had no "reasonable excuse" for not disclosing his sources, which were "necessary for the prevention of crime."

The case will now go back to the High Court, which will have to consider what punishment, if any, to impose on Mr Warner for contempt of court. Contempt can be punished by an unlimited fine or a jail sentence of up to two years. Mr Warner would have a right of appeal.

After the Law Lords' ruling Mr Warner said he would continue to uphold the principle that a journalist should not disclose his sources - even if it meant his going to prison.

"I'm in an impossible position," he said. "Either I reveal my sources and commit professional suicide, or I accept punishment. There is only one real option: to accept any punishment."

The inspectors, Mr John Lindsay, QC, and Mr Peter Crozier, have intimated that they will continue to press for Mr Warner's sources, although they have no wish to see him jailed.

Jeremy Warner: refusing to co-operate with inspectors

Mr Warner is the first person to face punishment under the 1986 Financial Services Act, which gave teeth to the 1985 Company Securities (Insider Dealing) Act. The 1986 act gives inspectors the power to complain to the court if someone refuses, "without reasonable excuse," to co-operate with them. The court can treat such a person as in contempt of court.

Mr Warner claimed the protection of section 10 of the 1981 Contempt of Court Act, which provides that no one should be required to disclose a source unless such disclosure was "necessary. . . for the prevention of crime."

Lord Griffiths said the inspectors had been appointed to investigate suspected leaks about takeover bids from the Office of Fair Trading, the Trade Department or the Monopolies and Mergers Commission.

Information appeared to have been leaked to people using it to speculate on the Stock Exchange - a form of insider dealing.

Lord Griffiths said that Mr Warner had written an article in The Times about the pending "unconditional clearance" by the MMC of a bid for Matthew Brown, the Blackburn brewer, by Scottish & Newcastle Breweries, and another in The Independent, saying that Mr Paul Channon, then Trade Secretary, looked certain to refer a bid by Strong & Fisher for another tanner, Garnar Booth, to the MMC.

The inspectors believed that he must have a source in, or close to, one of the departments who was prepared to leak price-sensitive information.

Lord Griffiths said that the inspectors' task was to "probe and lay bare the whole dishonest web" of the suspected insider dealing.

He had no doubt that their purpose was the prevention of crime and he was satisfied that the disclosure of Mr Warner's sources was necessary for it.

Raymond Hughes on a writer's refusal to reveal his contacts

A source of dilemma for the courts

THE CASE of Mr Jeremy Warner, the business correspondent of The Independent, poses a dilemma for the courts.

Mr Warner is refusing, in spite of a ruling by five Law Lords that he must do so, to answer questions about his journalistic sources put to him by Department of Trade inspectors investigating suspected insider dealing involving price-sensitive information leaked by civil servants.

Mr Warner is the first person to have been brought before the courts under the 1986 Financial Services Act, which gave teeth to the 1985 Company Securities (Insider Dealing) Act.

The intention of the legislation was to stop what a judge has called "the evil of insider dealing" by giving the inspectors the power to complain to the courts if someone refuses to co-operate with them in their inquiries, and by giving the courts the power to punish such a person as if he were in contempt of court.

It was never envisaged that a financial journalist who, it is acknowledged, is innocent of any crime would be the first person on whom the law's teeth would bite.

That, however, is what has happened, and Mr Warner finds himself facing the possibility of going to jail in defence of the well established (but not legally absolute) principle that a journalist does not disclose the sources of his information.

If he does go to prison he will be the first journalist to be jailed for refusing to identify his sources since Brendan Mulholland, of the Daily Mail, was jailed for six months, and Reginald Foster, of the Daily Sketch, for three months in February, 1963, for refusing to co-operate with the Vassal spy tribunal.

SECTION 177 of the 1986 Financial Services Act provides that inspectors appointed to investigate suspected insider dealing may require anyone to give them information and that "it shall be the duty of that person to comply with that requirement."

The only exceptions to the rule are people entitled to refuse to disclose information on the grounds of legal professional privilege in High Court proceedings, or bankers in respect of a customer's affairs.

If a person refuses to answer any of the questions, the inspectors can complain (under section 178) to the court. If the court decides that the person has no "reasonable excuse" it "may punish him in like manner as if he had been guilty of contempt of the court."

Section 10 of the 1981 Contempt of Court Act provides that "no court may require a person to disclose, nor is any person guilty of contempt of court for refusing to disclose, the source of information contained in a publication for which he is responsible, unless it be established to the satisfaction of the court that disclosure is necessary in the interests of justice or national security or for the prevention of disorder or crime."

The punishment to be imposed for contempt of court is solely a matter for the judge who deals with the case.

The options are an unlimited fine or a maximum two-year jail sentence, or both.

Part of the courts' dilemma is that, this being the first case of its kind, there is no precedent.

There is also the problem that the Warner case came to court because the inspectors wanted information from Mr Warner.

They still want that information and would be frustrated – as would the court's order – if Mr Warner decided to bite on the bullet and endure a period in jail rather than betray the principle on which he has taken his stand.

The same difficulty would arise if the courts were to impose a fine: Mr Warner – or more probably The Independent – would pay the fine and the inspectors would be back where they started.

One possibility would be for the court to levy an escalating series of fines – as has been done in contempt cases against trade unions – in the hope of eventually bringing Mr Warner and The Independent to their knees.

That, however, might be thought too draconian in the circumstances of the Warner case, as might a succession of jail terms for continuing contempt, which would be another possible option.

Judges who have dealt with the case – and the inspectors – have made plain that they have no wish to see Mr Warner behind bars.

It is accepted that he is not himself guilty of insider dealing and that he is genuinely taking a principled stand as a journalist on an issue that has implications for the public interest.

But, at the same time, courts cannot allow their orders to be flouted.

Mr Warner based his defence on section 10 of the Contempt of Court Act, which provides that sources need not be disclosed except, inter alia, for the prevention of crime.

It might be argued that, three Appeal Court judges and five Law Lords having decided the information sought is necessary for the prevention of crime, it would be a touch arrogant for Mr Warner to think he knows better.

However, the argument cannot rest there. Certainly it is in the public interest that crime be prevented.

But so also is it in the public interest that there be a free flow of information to the media, which in the past have been instrumental in exposing wrongdoing.

That public interest might be jeopardised if Mr Warner were to disclose his sources to the inspectors. His informant or informants would be likely to suffer some sanction – loss of job or perhaps even prosecution.

Who would then run the risk of suffering a similar fate by talking to a journalist? Sources might well dry up, or at least be reduced, and future wrongdoing not exposed.

So, a dilemma for the courts and for Mr Warner – and, it might be thought, for his sources.

World fund for Ireland attracts over £53m

By Our Belfast Correspondent

THE INTERNATIONAL Fund for Ireland, set up to promote economic and social progress and encourage reconciliation between Unionists and Nationalists throughout Ireland, has attracted more than £53m from the governments of the US, Canada and New Zealand.

Figures in the fund's first annual report published yesterday show that £8m has already been allocated and at September 30 a total of 1,112 applications had been submitted for appraisal.

The fund, an international body exempt from direct taxation, has so far received contributions from the US totalling $85m, a first payment of $1.5m from Canada and $300,000 from New Zealand.

Mr Charles Brett, the chairman, said £53m was substantial but had to be spread fairly over a large area, and was in no way political, he said.

The geographical remit covers Northern Ireland and six border counties in the Republic of Ireland with the emphasis on assisting a large number of small projects rather than a small number of large ones.

The report shows that the board has allocated £7.55m to its Business and Enterprise Programme to be spent over two years, with £5.22m allocated to Northern Ireland and £2.33m to the border areas of the Irish Republic.

MPs hit at response in military fraud case

By Lynton McLain

THE Director of Public Prosecutions' decision not to prosecute 89 serving or former civilian personnel in the British Army for alleged falsification of travel and subsistence claims was criticised by MPs on the public accounts committee.

They also protested against the army decision not to court-martial officers and other military managers for allegedly failing to carry out duties.

The civilians were explosives searchers for the Royal Engineers. Sir Clive Whitmore, Permanent Secretary, Defence Ministry, told the Commons committee the ministry still employed more than 50 of the 89.

He said ministers were not told of the fraud when it was detected in September 1984. Details are in the 1986-87 appropriation accounts published by the Commons and investigated this week by the committee.

Sir Clive said total losses were substantially and considerably greater than the £203,416 quoted: they might be "two or three times the published figure."

The accounts show that a ministry probe begun that September revealed as established practice by many searchers the claiming of full allowances to which they were not entitled. The searchers' unit was absorbing 10 per cent of the army's total civilian travel and subsistence spending.

Mr Ian Gow, Tory MP for Eastbourne, said three military offences were committed:

- Military management failed to correct inaccuracies in expense claims.
- It appeared to have encouraged searchers to submit claims known to be contrary to ministry rules.
- Countersigning officers failed to carry out duties properly.

He asked why the authorities, in those circumstances, had thought there was insufficient evidence for prosecution or disciplinary action.

Mr Michael Latham, Tory MP for Rutland and Melton, called for court-martial of army personnel.

Sir Clive said the ministry took no disciplinary action against those who countersigned the fraudulent claims, or against any other management personnel involved. Eventually, it issued warning letters to all involved.

BR locomotive order likely to go to Britain

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

AN ORDER for around 100 freight locomotives for British Rail – worth up to £140m – appears certain to be placed in the UK after US and European manufacturers failed to submit tenders.

BR invited bids for its Class 60 locomotive from General Motors and General Electric of the US, and a European consortium comprising NEI of the UK, MAK of West Germany, and BBC Brown Boveri of Switzerland.

This was the first time US companies had been invited to tender for a locomotive order under BR's value-for-money procurement policy, under which all large contracts are subject to competitive tendering.

General Motors was favourite to win the order because of the high regard in which its Class 59 freight locomotive is held by BR.

Technical staff are understood to have been impressed by the performance of four privately owned Class 59 locomotives operated in the UK by Foster Yeoman, the aggregates producer.

In the event, the only bids received were from the three leading UK railway equipment companies - GEC Transportation Projects, Brush Electrical Machines, a Hawker Siddeley subsidiary and Metro-Cammell, part of the Laird Group.

However, GM may still win a significant part of the order as a sub-contractor to GEC Transportation Projects, one of the three leading UK railway equipment manufacturers.

GEC will use GM diesel engines if it wins the contract, with electrical work carried out by GEC Traction, an affiliated company, and mechanical work by British Rail Engineering.

BR said there was no truth in suggestions that this was a way of providing the railway with the locomotive it wanted, without risking a political row by placing the order abroad.

Mr Brian McCann, managing director of GEC Transportation Projects, said the tender specicified a locomotive with many features of the Class 59, but incorporating substantial changes.

Brush Electrical Machines and Metro-Cammell plan to offer BR a choice of engines, but both said the components were likely to be British-made.

The absence of overseas bids was greeted with relief by the Labour Party and the railway trade unions, which had threatened to try to stop the order leaving the UK.

Mr Robert Hughes, shadow Transport Secretary, urged BR to ensure that the engines used in the Class 60 were manufactured in the UK.

Mr Vernon Hince, assistant general secretary of the National Union of Railwaymen, said it was important that the manufacturing expertise available in the UK should be maintained.

The Class 60 locomotive order will be the biggest investment in freight traction capacity for 10 years, and is intended to allow BR to haul much longer trains.

BR is expected to order at least 100 locomotives, though more could be purchased if the price is considered attractive.

Jobs gain for Hartlepool

BY TERRY DODSWORTH

STADIUM, a private electronics and plastics company based at Hartlepool, north-east England, is creating 150 jobs as a result of a £500,000 investment scheme.

The company says the expansion is designed to cope with an influx of orders from equipment manufacturers, including Black & Decker, Electrolux and Ikeda-Hoover.

Stadium has a turnover of about £20m a year and has recently been growing rapidly, particularly in electronics, where it has developed innovative methods of packaging components in plastics. The company currently employs 300 people at Hartlepool.

- Hinari, the UK consumer electronics group, is spending £1.5m on a manufacturing development at Cumbernauld in Scotland in a move that will create 200 jobs.

It will produce a range of hi-fi and compact disc systems at the site to support its growth and expansion in Europe. It has offices and distribution networks in Germany, France and Spain.

US missile dispersal practising to continue

By David Buchan, Defence Correspondent

US CRUISE missile units are likely to continue practising dispersal tactics outside their UK bases at Greenham Common and Molesworth up to the time that the missiles are withdrawn, the Ministry of Defence said yesterday.

Commenting on the implications for the UK of the newly signed Intermediate Nuclear Forces (INF) treaty, MoD officials said the first cruise batch to leave the UK would be the 16 missiles recently deployed and made operational at Molesworth in Cambridgeshire.

That did not preclude missile-carrying trucks making practice convoy trips outside the Cambridgeshire base before the INF treaty comes into full effect.

The MoD said Nato strategy would be to keep cruise and Pershing missiles operational until they were eliminated in batches over a three-year timetable.

By the end of the elimination phase, probably in mid-1991, the 114 cruise missiles at Greenham Common and Molesworth will have been shipped back to the US for destruction, and the hardened missile storage bunkers at the UK bases will probably have been destroyed.

The INF treaty, said MoD officials, only demanded the destruction of support facilities for "treaty-limited items," meaning missiles. If the bunkers could be converted into something which, to the Russians' satisfaction, could not be used to house missiles, they need not be destroyed.

Construction of the two UK cruise bases has cost £174m, with the US putting up £78m, the Nato infrastructure fund £37m and the UK £37m.

The MoD said no decision had been made on alternative uses for the bases. But the Soviet Union's right to inspect them up to 10 years after the elimination of cruise missiles might inhibit the ministry from putting the bases to any other sensitive use.

Lisa Wood examines Kentucky Fried Chicken's latest venture

Licking fingers over a new deal

EUROPE'S LARGEST Kentucky Fried Chicken restaurant was officially opened at Marble Arch, London, this week. It is the first fruit of a joint venture in the UK between KFC, part of PepsiCo, the US drinks and food group, and Trusthouse Forte, the catering and hotel group.

Cane chairs and potted plants adorn the 220-seat restaurant, which the two partners see as the flagship for an attempt to re-establish KFC among the big players in Britain's growing fast food industry.

PepsiCo bought KFC last year for $850m (£467m) from R J Nabisco, the US conglomerate. (Colonel Saunders, the originator of the "finger-lickin' good" recipe, sold out in 1964 for $2m.) For PepsiCo, the joint venture is part of an investment programme in the key markets of the UK, Canada, Japan, Australia and West Germany, countries where it and other US quick-service restaurants concentrate about three quarters of their international development efforts.

A fresh image at the Marble Arch flagship — Alan Harper

Joint ventures are an operating style liked by PepsiCo, which has Pizza Hut operations in Britain in a 50-50 partnership with Whitbread, the brewer. Trusthouse Forte, a partner since last year in the KFC venture in the UK, heads its management team and sees the enterprise as a means to gaining a substantial stake in the British fast food market.

The market is estimated to be worth about £1.8bn a year, of which KFC has about an 8 per cent share.

The operation is a challenge to both companies because KFC's experience in the UK is a classic example of a business that failed to adapt to the marketplace. KFC opened its first fast food outlet in Britain in 1965, some years before the rash of similar places that erupted on the streets in the 1970s.

While some KFC outlets had seats, the majority were takeaways off the high street where they tended to attract a late-night clientele. Most of the places were franchised and there was little supervision on purchasing policies, with a consequent variation in quality of raw materials and cooking.

In contrast, operators such as McDonalds had not franchised in the UK and kept tight control over quality.

Mr Steven Fellingham, president of KFC's International operations, said: "The weaknesses in our systems started to show with the entry of new competition which raised standards and increased consumer expectations."

Turnover in KFC outlets started a downward trend in 1978. An advertising campaign, launched in 1983, temporarily bolstered sales, but new customers failed to make repeat purchases. In 1984 there was a serious fall off in sales, a trend accelerated according to the company by the imposition of VAT on hot takeaway meals, the main part of its business.

Two years ago market research initiated by the company showed that its UK operations were in trouble. KFC, compared with its competitors such as Wimpy and McDonalds, came bottom in perceptions of quality, service, facilities and value for money.

Mr Colin Naughton, executive vice president of KFC Corporation of the US, said: "When the KFC Corporation saw what was happening it was shocked. Not only was it the worst rated fast food business in the UK but the ratings were the lowest from customers in any of the 50 countries in which we operate."

Radical surgery was needed. Mr Fellingham said: "Our aim was for KFC to become a fun place for the whole family. We did not want them restricted to the pub trade after 11 pm."

Changing an established image is a difficult enterprise but it was not a new challenge for KFC. In the US in the mid-1970s, under its former owner, the company set about upgrading itself with emphasis on bigger and improved outlets.

Mr Naughton said: "In the UK we needed to look at product quality, service and facilities. We believed we could quickly improve the business if we immediately tackled the first two areas. The question of facilities was a longer-term problem."

An assessment panel was set up to evaluate store standards and identify areas of weakness. Some franchisees did not see eye-to-eye with KFC after being counselled on quality deficiencies and two licences were cancelled after legal action.

Other franchisees asked to be released from their agreements, bringing a total of 36 that left in 1986. There are presently some 70 franchisees operating about 220 outlets. In addition, there are 64 company-owned outlets, including 20 refurbished restaurants and five rebuilt ones.

The next stage was the improvement of facilities. There are 133 restaurants with at least some seats. But a majority of the outlets are on secondary sites, away from the high street where most fast food restaurants are fighting for sitdown customers.

Mr Naughton said: "We believe the KFC concept can work in the UK on a variety of trading sites including the high street, edge-of-town free-standing units and on secondary sites."

In the longer term KFC hopes to relocate up to half its restaurants to high streets.

It is a strategy that has not always been welcomed by franchisees, with strong protests last year from the KFC Franchise Association because high street sites can mean higher rents and rates. Mr Harry Latham, chairman of the association, said: "We are not against what KFC is doing per se. We just want them to show us that it can be done profitably."

The company argues that it is sensitive to the problems of transition. "We have incentive agreements," said Mr Fellingham, "which give a subsidy for relocation on to primary sites.

"In addition, we believe that as we open restaurants with our money and demonstrate the successes that are possible we will get the majority of franchisees to follow our lead."

KFC and THF are pouring a considerable investment into the market with new restaurants costing £300,000 plus. Next year they plan to open 10 and then accelerate the rate to over 20 outlets a year.

City analysts, while not over-bullish about the operations of KFC, said the operation should benefit from the partnership with THF. Mr Michael Landymore, of Henderson White Jenkins, the stockbroker, said the venture "had a chance of success" particularly as the management team was led by THF, which had experience and skills through its catering operations including Little Chef and Happy Eater restaurants.

Changing an established identity was not impossible, said Mr Landymore. "United Biscuits," he said, "did the same when it bought Wimpy from Lyons in 1976. It took time but Wimpy is now doing well."

Accountancy firm share move

BY RICHARD WATERS

THE GOVERNMENT wants to allow outsiders to own shares in accountancy firms, in spite of the call for a ban from some leading members of the profession, Mr Francis Maude, Minister of Corporate and Consumer Affairs, said yesterday.

He said a final decision would not be taken until early next year, when the chartered accountancy bodies are due to publish a report on the effects of outside shareholdings on the independence of auditors.

The comments came as the Government published its proposals for implementing the European Community's eighth company law directive, which deals with the regulation of auditors. It will form the basis of a Companies Act due in the next session of parliament.

The main elements of the proposals include:

- Companies will have to publish details of how much they pay their auditors for non-audit services. This proposal replaces earlier suggestions that auditors should be prevented from providing non-audit services, such as management consultancy. It has already been roundly attacked by auditors and public companies, which claim that publication of this figure does not give shareholders greater protection.
- The Government will delegate its powers for regulating auditors to the professional bodies. They will need to submit their rule books to the Department of Trade for approval. Those must cover such areas as education and training, monitoring and disciplinary procedures.

Peat Marwick McLintock, Britain's largest accountancy firm, and the Institute of Chartered Accountants in England and Wales have called for a ban on outside shareholdings. It says the independence of audit firms would be threatened if they were partly owned by non-employees.

Peat Marwick turnover ahead 26%

BY RICHARD WATERS

PEAT MARWICK McLINTOCK, the UK's largest accountancy firm, reported a 26 per cent increase in turnover to £232.4m in the year to September 30, reflecting another strong year of growth for accountancy firms.

At the same time, Arthur Andersen, the seventh largest firm, said its fee income rose by 30 per cent to £102m. Both firms predicted that fees would continue to rise strongly, in spite of the effect of the stock market crash on clients.

Management consultancy provided much of the growth at both firms. Andersen, which specialises in information technology consultancy, increased its turnover in this area by 52 per cent to £36.2m, while Peat Marwick, which has a broader range of services, saw fees rise by 50 per cent to £32.6m.

Peat Marwick's figures are the first to be published since its merger with KMG Thomson McLintock in April. They show that income from corporate finance, which has been shown as a separate figure for the first time, amounted to £32.6m.

Like other accountancy firms, Peat claims that it is not in competition with stockbrokers or merchant banks: much of its income in this area arose from investigation work associated with flotations and acquisitions, rather than advisory work.

- Worldwide fees at Arthur Andersen rose 20 per cent to $2.32bn, while Peat's international fees were up 16 per cent to $3.25bn.

Arthur Young, another of the eight big accountancy firms, also reported its international fee income yesterday. Turnover was up by 23.5 per cent to $1.7bn in the year to end-September, it said, in a financial year ending in April.

Court of Appeal rules against Sealink

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

SEALINK UK yesterday lost its appeal against a High Court judgment ordering it to hand over a 50 per cent shareholding in a joint company operating ferry services to the Channel Islands.

Sealink's shares in the joint company, British Channel Island Ferries, were handed over to its partner, Channel Island Ferries, in December, with a provision that they would be returned if the appeal was successful.

The handover followed a High Court ruling that Sealink had failed to provide two of its ships, or suitable alternative vessels, for the joint service.

Sealink claimed that its failure to provide the ships was caused by its need to sign an agreement with Numast, the merchant navy officers' union, in order to end a damaging strike.

The Court of Appeal said there was no evidence that Sealink had attempted to provide alternative vessels. Sealink was refused leave to appeal to the House of Lords, but can apply directly to the Lords for permission.

IBA steps into TV access row

By Raymond Snoddy

THE INDEPENDENT Broadcasting Authority yesterday stepped into the increasingly acrimonious dispute between independent producers and the ITV companies over the terms of access of independent programme makers to the ITV network.

Mr John Whitney, director general of the IBA, convened a meeting for today with Mr David Shaw, director of the ITV Association, and Mr Michael Darlow, chairman of the Independent Access Steering Committee.

The IBA said it was calling the meeting to find a way to break the deadlock in negotiations on implementing government policy that independent producers should gain access to 25 per cent of Britain's four national television channels.

On Wednesday independent producers announced the formal breakdown of negotiations. Yesterday Mr Shaw made clear that, whether or not there was a comprehensive agreement, "we will keep commissioning [programmes] and we will keep moving towards the Government's target."

The main issue between the two sides is that the independent producers want a national framework to govern commercial relationships between the independent and all the 15 regional ITV companies.

The ITV Association insists equally vehemently that in a federal system each company must be free to negotiate its own business deals subject only to general guidelines.

Yesterday Mr Shaw wrote to Mr Darlow saying the ITV companies were astounded at the action of the independents "in the middle of inevitably difficult and complicated negotiations."

Later at a press conference Mr Shaw said: "The degree of protection they are asking for runs completely counter to this Government's philosophy of opening up the market."

Porsches and yuppies: the truth

BY JOHN GRIFFITHS

IT COULD have been an occasion for yuppie-haters to gloat over. This week, in London's Whitechapel Road, where Jack the Ripper once stalked, Charles Follett (City) opened its new Porsche dealership.

What an irony it seemed. An emporium opening to sell expensive cars to the callow overpaid . . . at precisely the time they were lining City window ledges.

The reality was different. It took five minutes of scanning grey hair, receding hair, no hair and thickening waists before even one person looking remotely yuppie-like could be found among the 150 customers.

And as it turned out, even 23-year-old Eric Bramble did not fit the supposed archetype of a street-wise, money-broking urchin giving his Porsche a burn-up on the way to burn-out.

He certainly owned some £50,000-worth of Porsche 928S. But, said Mr Bramble, a Canadian from British Columbia who is looking after his father's investment interests in London: "Frankly, I don't think any of what you hear about yuppies and their Porsches is true. I don't think they can afford it. It's that type that buys 3-Series BMWs."

Mr David Piggott, Follett's managing director, made no attempt to hide his impatience with the yuppie stories. The bulk of Follett's customers, he insisted, were serious businessmen of all types, drawn not just from the City but from a wide swathe of London.

"We were selling lots of cars before yuppies were invented," he said. Well, how many? And was Follett selling fewer now than before Black Monday?

He refused to discuss numbers. "But we wouldn't have invested £1m in these facilities if we thought Porsche had a problem."

But surely, Porsche prices had shot up by about 25 per cent in the past year, and even enthusiastic motoring magazines had started describing Porsches as poor value for money?

"No one likes price increases," acknowledged Mr Piggott. "Everyone looks for value for money - but most of our customers know there are reasons for them."

He stuck to his guns. No, there had been no sign of a sales downturn, nor were there any significant early warning signs of one to come next year.

Mr Peter Bulbeck, managing director of Porsche Cars (Great Britain) since it became a wholly owned Porsche subsidiary this year, wandered up to present a slightly different picture for the UK as a whole.

There was a new emphasis on higher-priced models, he pointed out. But in unit terms, total sales would drop from a record 3,700 in 1986 to about 2,900 this year.

So, somewhere, someone has decided to go without.

PM turns down plea for health insurance tax relief

BY TOM LYNCH

A PLEA for tax relief on private health insurance was firmly rejected by **Mrs Margaret Thatcher**, the Prime Minister, at Question Time in the Commons yesterday, during her angriest exchanges so far with Labour MPs over her stewardship of the National Health Service.

The Prime Minister had told **Mr Neil Kinnock**, the leader of the Opposition, that more was spent on health in some other countries than in the UK because of a *greater element of private spending*.

Mr George Riddick (C, Colne Valley) said demand for health care was "never-ending". Private health spending in the UK was among the lowest in Western Europe, and the Government should grant tax relief on private health insurance.

Mrs Thatcher curtly refused his request, and added: "It is more important to leave people to make their own decisions about what they do with their own money rather than increasing their needs for particular expenditure."

The NHS again dominated the Prime Minister's 15-minute Question Time session, and her exchanges with Mr Kinnock were particularly noisy and acrimonious. The Opposition leader accused her of "incurable complacency as well as untreatable arrogance" and quoted extensively from this week's critical report by the presidents of three royal colleges.

In return, Mrs Thatcher infuriated Labour by sticking to her strategy of showering them with statistics which, she said, showed that the NHS was treating more people and receiving a growing share of an increasing gross national product. **Mr Bernard Weatherill**, the Speaker, intervened several times to restore order as her replies were drowned out by Labour protests.

Dave Nellist: 'children dying because of closed wards'

Margaret Thatcher: more spent privately elsewhere

Neil Kinnock: PM suffering from 'untreatable arrogance'

Mr Dave Nellist (Lab, Coventry South East) accused the Prime Minister of repeating statistics "like a cracked record". Children in the Midlands had died because of ward closures and waits for operations.

"You might be able to buy your health and the health of your kids. Other families can't. Do you care?"

Mr David Winnick (Lab, Walsall North) said young children, cancer and kidney patients were having to wait for hospital beds. "What evidence is there, if any, that the NHS is safe in your hands?"

Mrs Thatcher said her Government had increased from 4.8 per cent to 5.5 per cent the proportion of gross national product spent on the NHS, at a time when GNP had been rising. A further £1.1bn would be spent next year.

Referring to the report by the presidents of the Royal Colleges of Physicians, Surgeons and Obstetricians and Gynaecologists alleging a financial crisis in the NHS, she said: "If the doctors think what they have written, they must be very thankful there is not a Labour Government in power.

"Other countries are able to devote more to health care services since more is contributed privately through private health insurance and from families' own *pockets*."

Mrs Thatche: said 2,360,000 operations were being performed in the NHS every year, and about 6.5m in-patients and 38m out-patients were being treated. About 3,000 more babies were surviving each year.

Labour MPs moaned as she went on to say that her Government had increased spending on GPs by 48 per cent in real terms, onhospital and community services 26 per cent and on capital by 42 per cent.

There had been more accident and emergency cases, heart bypass operations, hip replacements, cataract operations, bone marrow and kidney transplants, cervical smear tests and renal failure treatments.

Mr Kinnock described the letter from the royal colleges as unprecedented, and the Prime Minister's rejection of its advice as evidence of complacency and arrogance. Her "litany of figures" had been anticipated by Sir Raymond Hoffenberg, president of *the Royal College of Physicians*, when he wrote: "We know we will be hit by all the statistics, but the basic fact is that we are spending less on our health service than any developed European country."

Mr Kinnock also quoted Mr Ian Todd, president of the Royal College of Surgeons, as stating that health service managers were telling surgeons to do less work so as "to balance the books".

Cheered on by Labour MPs, Mr Kinnock asked the Prime Minister: "When the presidents are saying that patient care is deteriorating, acute hospital services have almost reached breaking point, and morale is depressingly low, don't you think that is a crisis?"

Almost shouting above the rising noise in the Chamber, he said: "Don't you recognise your responsibility for setting lives against sums? What are you going to do about it?"

● In a letter to a group of consultants specialising in pediatrics, Mrs Thatcher welcomes this week's agreement between NHS unions and management on a new structure for nurses' pay.

"*I hope this* will pave the way for us to build further on the large increase which has already taken place in the number of nurses qualified in intensive care, including paediatric intensive care," says the letter, released by Downing Street last *night*.

The 11 consultants, from all parts of England, wrote to the Prime Minister two weeks ago urging her intervention to allow better pay for intensive care nurses to improve recruitment.

Authority of the Commons umpire is put at issue

THERE WAS a time when George Foulkes, the Labour member for *Carrick*, Cumnock and Doon Valley, used to be one of the most uninhibited members of his party's Rowdy Tendency. Despite his seat on the rear benches his voice could always be heard above the uproar hurling the well-timed insult at the Prime Minister or one of her colleagues.

However, since becoming a Labour frontbench spokesman on foreign affairs, George has gone upmarket and *has* presumably decided that a more dignified approach is more in keeping with his new position.

But yesterday – for one brief moment – the old George broke loose again *during Prime Minister's* questions. Only this time he made the mistake of directing his remarks at the Speaker, Bernard Weatherill.

Neil Kinnock, the Labour leader, had been maintain*ing Labour's remorseless* and carefully co-ordinated campaign to depict Mrs Thatcher as the heartless skinflint who is presiding over the collapse of the National Health Service.

In reply, the Prime Minister *adopted* her *usual* tactic of pouring out a mass of statistics intended to show that her Government was inundating the NHS with gold and was being far more generous than incompetent Labour administrations before 1979.

The Speaker had just called for order so that the Prime Minister's replies could be audible when a voice from the Labour side shouted at him: "You are like a Pakistani umpire!"

***Cries* of shocked indignation went up from the Tory benches and there were demands that the culprit should be sought out and dealt with. "Name him," they cried.**

***Far* worse insults have been thrown across the floor of the House. In fact a little earlier one anonymous Labourite had suggested that Mrs Thatcher should have a transplant operation and given a real heart. But this time the authority of the Speaker was being called in question.**

For a few moments Mr Foulkes sat in sheepish silence as all eyes turned on him. Then, without so much as a request from the Speaker, he rose and announced that he withdrew the remark.

Clearly George felt that he had gone too far on this occasion, particularly as Mr Weatherill had been a wartime *officer* in the Indian Army.

Meanwhile the battle over the NHS – which makes a Test series seem short by comparison – continued unabated. Both captains *had* come on the pitch well-coached and armed with ready-made phrases and masses of statistics.

The Labour leader challenged Mrs Thatcher with the letter from the heads of the three royal colleges – *Physicians*, Surgeons, Obstetricians and Gynaecologists – protesting at NHS shortages. In words that sounded as though they had been carefully prepared at Labour HQ Dr Kinnock diagnosed the Prime Minister's condition as "*incurable* complacency as well as untreatable arrogance".

In reply Mrs Thatcher spewed out statistics like a berserk computer. Spending on the NHS, *on family practitioners*, capital spending *on hospitals* and the community service, heart bypass operations, kidney transplants – all up, up, up. No, *Labour* didn't like it, did they? That was why they would not listen.

These familiar Thatcher *tactics were helped* by the occasional question from the Tory back benches which enabled the Prime Minister to change the subject and dwell on the

strength of the British economy: "It's good news for everyone in the country."

Surprisingly, with the approach of Christmas, the "scrooge" accusation was not thrown across the Chamber at Mrs Thatcher. But this deficiency was later made good during business questions when Labour's David Winnick suggested that a copy of Dickens' Christmas Carol should be made available for every member of the Cabinet.

The matter of the Test tour was raised in business questions by Tory MP Nicholas Winterton who called for a statement from Colin Moynihan, the Sports Minister.

John Wakeham, the Leader of the House, assured him: "Whatever the excuses there can be no excuse for flouting the authority of judges, referees or umpires." Presumably this will be some consolation to the Speaker in his difficult task.

JOHN HUNT

Negotiators agree package for creation of new Alliance party

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

LIBERAL and Social Democratic Party negotiators last night tied up the remaining elements of a package to create a new political party, which they have agreed will be popularly known as the Alliance.

The party, which is back on schedule to be launched in March if the merger package wins approval from Liberal and SDP members, will be formally *entitled the New Liberal and* Social Democratic Party.

Mr David Steel, the Liberal leader, last night declared himself "delighted" with the agreement in principle. Mr Robert Maclennan, the SDP leader, said the negotiators had gone through two "arduous months" but *had* produced a constitution which incorporated the best elements of both party constitutions.

After further long discussions, which continued to the limits of the agreed negotiating timetable, both sides decided that, despite its identification with the political partnership that failed at the last general election, the Alliance label was the most acceptable of all the names considered.

This is partly because Liberal and Social Democrat councillors on local authorities have taken to calling themselves Alliance groups and the party leaders are

Robert Maclennan: 'two arduous months' for negotiators

reluctant to sacrifice the local gains from this image of co-operation.

By contrast with the public warnings on Wednesday from Mr Steel that the merger timetable might slip by a month or so, all the remaining substantive issues were cleared up yesterday, including the preamble to the new party's constitution and the mechanism for amending the constitution.

The joint negotiating committee will meet next Tuesday to examine in detail the draft constitution which will have been drawn up by party lawyers. It is expected the document will be published at the same time.

After consultation within both parties, *the final version* will go to the two special conferences, called for the end of January to decide whether the merger package should go to a ballot. It is recognised that the deal might not be unanimous and opponents could include some of the negotiators.

The Owenite, anti-merger faction of the SDP last night appeared to lay immediate claim to the SDP name. Mr John Cartwright, MP for Woolwich and a supporter of Dr Owen, congratulated the negotiators on overcoming *the obstacles faced* in creating what he called the Alliance Party.

There would, he said, be a merged Alliance party and a Social Democratic Party. All SDP members would be able to choose between staying with the SDP and joining the new Alliance party.

Anger over INF treaty accusation

By Ivor Owen

TEMPERS flared in the Commons last night over Labour charges that the Government was only a "spectator" in the events which led to the agreement between the United States and the Soviet Union to ban ground-launched intermediate nuclear weapons.

Mr Gerald Kaufman, shadow Foreign Secretary, played the *leading role in ridiculing claims* made by **Mrs Margaret Thatcher**, the Prime Minister, that the Government's decision that Britain should be the first country in Europe to have US cruise missiles based on its soil had greatly influenced the Soviet *Union's action in signing* the new INF treaty.

He asked why, when the total number of US cruise missiles was around 400, the Soviet Union should have been ready to destroy 1,600 of its own, and suggested it threw an interesting sidelight on what the Government believed to be the Russian "inferiority complex".

Mr David Mellor, Foreign Office Minister of State, moving the third reading of the bill which paves the way for representatives of the Soviet Union to check on the removal of the cruise missiles from the Greenham Common and Molesworth bases, rejected the Labour charges.

He insisted that the British public would pay more heed to *the views* of Mr Mikail Gorbachev, who had acknowledged Britain's contribution to the process which led to the INF treaty, than to Labour spokesmen.

The Arms Control and Disarmament (Privileges and Immunities) Bill was given an unopposed third reading. It now goes to the House of Lords.

PM steers clear of Britoil call

MRS MARGARET THATCHER, *the Prime Minister, yesterday* rejected a call to *intervene* in the purchase by BP of a stake in Britoil.

Mrs Margaret Ewing (SNP, Moray) said BP's intention to double its stake in Britoil had implications for jobs, and "the *Guinness* takeover still smells in the nostrils of people in Scotland."

Mrs Thatcher told her the affair was "a commercial transaction and not for us to intervene."

Tories 'ganging up on Young' over BA bid

BY TOM LYNCH

LABOUR last night accused Mr Norman Tebbit, the former Conservative Party chairman, and Mr Paul Channon, the Transport Secretary, of "ganging up" against Lord Young, the Trade and Industry Secretary in favour of the British Airways bid for British Caledonian.

In a joint statement, Mr Bryan Gould, the shadow Trade and Industry Secretary, and Mr Robert Hughes, the Transport Secretary, said Mr Tebbit "seems to have more clout than Lord Young and is using it shamelessly on behalf of Lord King (the BA chairman) – a long-time friend of the Conservative Party".

Mr Tebbit "whose antipathy to Lord Young is well known" and Mr Channon, "demoted from the DTI to make way for Lord Young" were "ganging up to make a nonsense of the DTI's role in competition policy."

The two shadow Cabinet members dismissed Mr Tebbit's objec*tion to the consortium including* SAS, the Scandinavian airline, which is competing with BA to rescue BCal. They said the proposed SAS stake in BCal was less than the 25 per cent of BA which had passed into foreign control since its privatisation.

"Knowing the right people in the Government seems to count for more than any rational policy framework – the Government has laid itself open to charges of cronyism in its dealing with private companies.

"The Government should be acting to preserve up to 9,000 jobs threatened by redundancy, to preserve competition among domestic airlines and to allow the workforce to take a stake in the enterprise in which they work."

In the Commons, **Mr David Steel**, the Liberal leader, demanded an assurance that there would be "*no ministerial* interference with the Civil Aviation Authority to prevent the shareholders making a decision in the interests of a strong second-force airline in Britain and competition for the consumer."

Mr John Wakeham, the *Leader of the House, said the* Transport Secretary had statutory duties following any report from the CAA.

Solution suggested for stalemate on committee

BY TOM LYNCH

AN UNPRECEDENTED proposal to have MPs from English constituencies serving on the select committee on Scottish affairs is *likely to be accepted by MPs* soon after they return from the Christmas recess on January 11.

Mr John Wakeham, the Leader of the House, had been widely expected to announce yesterday that the formation of the committee would be debated next Wednesday, but he told MPs at Question Time: "Following discussions through the usual channels, it would be for the convenience of members if there was a period for consideration of the report from the Committee of Selection."

Mr Wakeham refused to be drawn further by backbench questioning, but it is understood that Labour has reluctantly accepted the need for representation from England if the committee is to be able to function.

The setting up of the committee has been bedevilled by *the* outcome of the general election which left the Government with only five Scottish backbenchers.

To comply with the convention that the Government should control the committee, it had been expected that all five Tories would be pressed into service, with four from Labour and one Liberal – to the fury of the SNP, and the great disappointment of some Labour MPs, who have argued that their party's 50 Scottish seats entitles them to control.

However, Mr Bill Walker (Tayside North) and Mr Nicholas Fairbairn (Perth and Kinross) refused to join the committee, and the resulting wrangles have left the Scottish Office as the only Government department not subject to select committee scrutiny.

In the Commons yesterday, **Mr Neil Kinnock**, the Labour *leader, said it was "quite sensible* to allow a short period for reflection.

Mr Wakeham declined an invitation from **Mr Eric Forth** (C, Mid Worcestershire) to blame Labour for the delay. Mr Forth said he was "concerned that the *Scottish people are being denied* proper representation because of the obstructive attitude of the Opposition." Mr Walker said he would welcome the opportunity to debate "what was wrong with the committee."

Parliamentary business next week

COMMONS

MONDAY: Private members' motions, including unemployment, the Peak Park Planning Board and charges for eyesight and dental checks. The Local Government Bill, remaining stages.

TUESDAY: Local Government Bill, completion of remaining stages. Motions on Welsh rate support grant reports.

WEDNESDAY: Local Government Finance Bill, second reading.

THURSDAY: Local Government Finance Bill, completion of second reading.

FRIDAY: Christmas adjournment motions.

The House rises for the Christmas recess, returning on January 11.

LORDS

MONDAY: Merchant Shipping Bill, report. Copyright, Designs and Patents Bill, committee. Orders on keeping mink and coypu. Medicines (Exemptions from Licences) Order.

TUESDAY: Legal Aid Bill, second reading. *Air Navigation (Noise Certification) Order.* Swanage Yacht Haven Bill, third reading. Short debate on strategic arms reductions.

WEDNESDAY: Short debates on the European Court of Human Rights, and on regional economic prospects. Land Registration Bill, committee. Landlord and Tenant Bill, second reading. Sunday Sports Bill, third reading.

THURSDAY: Farm Land and Rural Development Bill, report. Two orders on parliamentary constituency changes. Sex Discrimination (Amendment) Order. Copyright, Designs and Patents Bill, committee.

The House rises for the Christmas recess, returning on January 11.

MoD official to head Audit Office

THE COMMONS is next week expected to endorse the appointment of Mr John Bryant Bourn as the Comptroller and Auditor General.

Mr Bourn, who is 53, is to replace Sir Gordon Downey, who is retiring after Christmas from the National Audit Office, which monitors expenditure by government departments.

Mr Robert Sheldon, the chairman of the Commons public accounts committee, last night welcomed the appointment, which is made by Mrs Thatcher.

Mr Bourn is currently a deputy secretary at the Ministry of Defence, where he has been responsible since 1985 for the development of defence procurement policy under Mr Peter Levene.

Drugs industry hits at academic research cuts

BY PETER MARSH

LEADERS of Britain's pharmaceuticals industry, one of the country's most successful in terms of technological innovation, have criticised government cuts in academic research, which they say threaten the sector's future prosperity.

The attack from the industry, which this year expects to spend about £650m of its own cash on research and development – roughly a sixth of total sales – will intensify the research spending debate.

In the past two years, the Government has faced complaints from academic scientists about shortages of funds but only minimal criticism from business representatives. The UK pharmaceuticals industry employs about 15,000 research and development staff and is among Britain's biggest employers of scientists.

Dr John Griffin, director of the Association of the British Pharmaceutical Industry, described the shortage of funds for university research, particularly in areas such as medicine and biology, as "very worrying". A key problem was ensuring there would be enough highly skilled graduates to form the industry's future employees.

Mr Peter Cunliffe, chairman of the British Pharma Group, which represents Britain's six biggest research-based pharmaceuticals companies, said: "The drugs industry in the UK has been a success story. But I am concerned that in 20 years' time the people may not be there to continue the growth."

Mr Cunliffe's group acts on behalf of Imperial Chemical Industries, Wellcome, Beecham, Boots, Glaxo and Fisons.

The plight of the universities is worrying Glaxo, Britain's biggest drugs company, which plans to increase its 2,500 UK-based research staff by 400 over the next five years.

Dr Richard Sykes, chief executive of Glaxo Group Research, said Britain had to be selective about scientific research at universities, but putting too much financial pressure on these institutions would create problems in "causing people to drift away from science".

Dr Trevor Jones, research director at Wellcome, said there was a danger that government cuts were forcing academic institutions to tackle too much industry-related research, in areas where they could raise cash from companies, rather than concentrate on basic science.

Komatsu of Japan to study US engine deal

By Nick Garnett

KOMATSU, the earth-moving equipment maker, is discussing with Cummins, the US diesel engine builder, the possibility of using its engines for the machines produced by the Japanese company in the UK.

The deal would involve Cummins supplying engines from its plant at Darlington near Middlesbrough to Komatsu's production site at Birtley, 30 miles away.

The talks, held in Tokyo as well as in the UK, represent a shift in the position of Komatsu which began producing hydraulic excavators and wheeled loaders at Birtley last year.

The Japanese company has always indicated that engines would be the last component it would consider sourcing in Europe.

Komatsu's Birtley plant is the subject at the moment of an EC investigation over its claim to be using 60 per cent local content. The company claims it can prove it is meeting that target.

It has a commitment to raise that to 80 per cent and is facing the continuing problem of the strong yen. Recent boardroom changes may have contributed to a change in policy.

CBI/FT DISTRIBUTIVE TRADES SURVEY BY RALPH ATKINS

Retailers see sales growth start to falter

HIGH STREET sales in November were below retailers' expectations and suggest that recent rapid growth in retail sales may be faltering.

The Confederation of British Industry/Financial Times distributive trades survey published yesterday shows that retail sales volumes remained buoyant last month but the expected quickening in growth did not materialise.

Retailers are confident of faster growth in the run-up to Christmas. Of 266 retailers questioned, 65 per cent expect December's sales to be higher than the same month last year, and 8 per cent forecast a lower level.

However, the survey has consistently shown retailers' expectations being frustrated. Of the 11 surveys this year, reported increases in sales have been below forecasts on nine occasions.

Mr Whittaker, chairman of the survey panel, said the CBI had spoken to participants about the bias, but he said it presented no statistical problems. "Our view is that retailers, by nature, are optimistic people," he said.

"We believe there has been a *steadying in the rate of growth* which has not been mirrored in the stated expectations of retailers contributing to the survey."

For November, 34 per cent of retailers said sales were good for the time of year. But 18 per cent said levels were poor.

The balance of retailers reporting an increase in sales, minus those reporting a fall, was +40 per cent. That compares with balances of +42 per cent in both October and September.

Confectionery, tobacco and newspaper shops, off-licences and grocers reported the best increases in sales in November. Grocers, tobacco and newspaper shops and retailers of durable household goods were most positive about sales in December.

Orders placed by retailers in November grew slightly faster than expected. Stocks built up as forecast but are predicted to run down a little this month.

The survey shows a rise in *import penetration in November*, with a balance of +11 per cent reporting that imports formed a larger proportion of deliveries from suppliers than a year before. That compares with a balance of +4 per cent when the question was last asked in August.

Retailers expect to authorise more capital expenditure in the next 12 months than in the past 12 months. However, the balance expecting increased investment fell from +28 per cent in August to +7 per cent in November.

Employment in retailing in November grew considerably ahead of expectations. A balance of +44 per cent said employment levels were higher than November 1986, compared with +36 per cent in August.

For wholesalers, November's sales volumes were also disappointing. Although a balance of +72 per cent had expected sales to rise last month, a balance of *only +49 per cent reported rises.* In October a balance of +62 per cent reported increases.

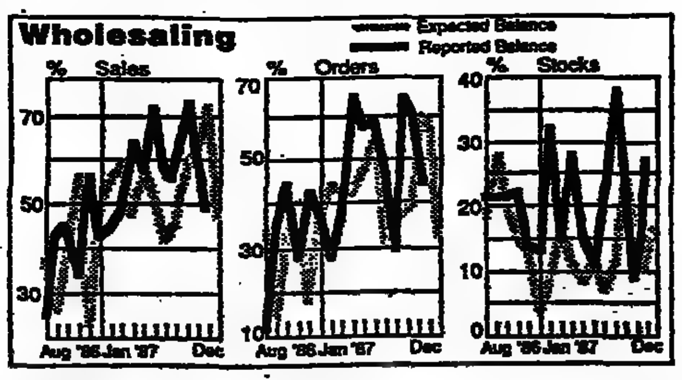
However, a balance of +62 per cent of wholesalers said November's sales were good for the time of year. That is the highest balance since the survey began in 1983.

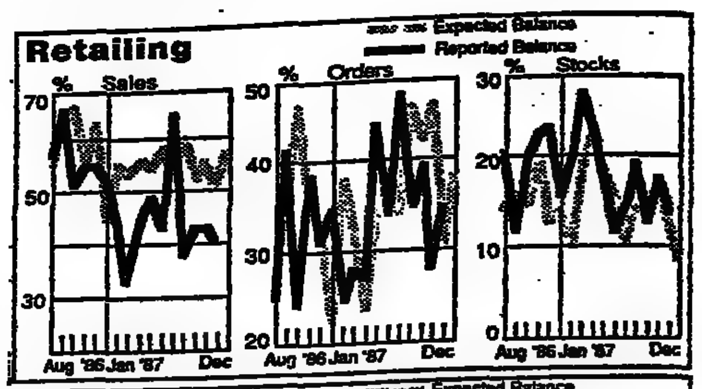
Wholesalers were reasonably optimistic about December. A balance of +48 per cent expect sales to rise and a balance of +45 per cent expect sales to be good for the time of year.

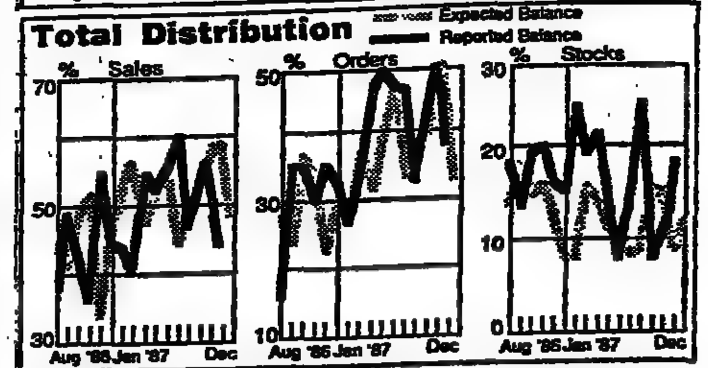
Food, drink and durable household goods wholesalers reported the best sales increase in November. Along with wholesalers of electrical installation material, *those sectors* were most optimistic about December.

Orders placed by wholesalers rose more slowly in November than in October. Contrary to *expectations, there* was a build-up in stocks but a run-down is expected in December.

There was a slight rise in imports as a proportion of deliveries to wholesalers in November but capital expenditure strengthened. Employment rose sharply with a balance of +33 per cent reporting employment higher than the same month last year.







Public 'optimistic' despite stock crash

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

BRITISH CONSUMERS remain optimistic about the future in spite of the stock market collapse, according to a survey among the public carried out by two research companies.

The Conference Board of the US, working with Britain's AGB Group, reports that an increasing proportion expects personal incomes to rise.

Overall opinion, measured on the UK Consumer Confidence Index, registered 123.7 in November, only marginally down on the October reading of 125.5 (January, 1986=100).

The index in November last year was barely above the 100 mark. "People continue to be a good deal more optimistic, both in their assessment of ongoing conditions and in their expectations for the immediate future," the Conference Board reports.

Fewer respondents felt that business conditions were "good" in November: 28.5 per cent compared with 32 per cent in October. But the proportion that classified the business climate as "bad" rose only slightly from 27.5 per cent to 28.7 per cent.

Numbers of negative and positive views on the issue were now about equal, the Conference Board said, and in recent months the optimists had outnumbered the pessimists by "a fairly good margin."

A third of respondents expected their incomes to increase, compared with 30 per cent a month earlier. However, 11 per cent – the largest proportion for more than a year – were concerned that their earnings would fall. The October figure was only 7.5 per cent.

Confidence appears to be highest among the AB and C1 social categories, with the over-55s most optimistic. A regional breakdown suggests that spirits are highest in the West Midlands, Yorkshire and Wales. Confidence seems to be weakest in London and the south-east.

Call for new Heathrow commuter flight runway

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A THIRD runway should be built at London's Heathrow Airport to cater for commuter-type air traffic into the next century, according to the Air Transport Users' Committee.

In its annual report, the committee, which advises the Civil Aviation Authority on consumer interests in civil air transport, emphasises that Heathrow and Gatwick airports are now full, and even though Stansted will become available in the early 1990s, it will draw on its own catchment area and is not likely to be a solution to the main problem of additional runway capacity in the south east.

"The AUC has consistently pointed to the growing shortage of capacity both in the air and on the ground, that threatens the growth of a successful UK aviation industry," says committee chairman, Mr John Cox.

"This year our warnings have proved to be well founded. Flow control has been introduced in the air lanes over south-east England. Our air traffic control system has come under unprecedented pressure. Runway space at Heathrow and Gatwick is very nearly exhausted.

"In short, the infrastructure upon which air services depend is rapidly becoming inadequate."

The committee says additional runway capacity must be found in the south-east, and concludes there should be a third runway at Heathrow, devoted to commuter-type aircraft.

It bases that view on the fact that, for about 100 scheduled service destinations overseas, Britain has only one main international airport, Heathrow, and "will probably never have another."

"Further, for small regional airports, a connecting service via Heathrow is the principal way that access can be secured to any destination, except a handful of nearby continental destinations."

While the committee continues to encourage the development of regional airports to serve other than local needs, it says there is no hope of a solution to the south-east capacity crisis.

Councils' house search delays 'unacceptable'

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE LAW COMMISSION, the Government's law reform body, today criticises "unacceptable local authority delays" as a cause of slow house conveyancing and suggests that penalties could be imposed on councils.

During a house purchase, inquiries have to be made of councils on topics such as planning, road maintenance, tree preservation and drainage.

The commission's conveyancing standing committee says that in some cases it has become impossible to obtain the information from councils within a reasonable time. It suggests that 10 working days would be a satisfactory maximum, but delays of up to 20 weeks have been recorded this year.

The Local Authority Ombudsman this year upheld complaints of maladministration against the London boroughs of Lambeth and Hackney because of delays in replying to inquiries.

The committee says computerisation to alleviate the delays would take five years to become effective, which is too long to wait. In a consultation paper, it seeks views on five options for bringing immediate improvements. They are:

- Penalising authorities that delay "to encourage an energetic reorganisation of their offices."
- Sellers, rather than buyers, to be encouraged to make inquiries so that the search process starts sooner.
- Sellers to give guarantees so that buyers would not have to rely on local-authority replies.
- Abolishing the system, which the committee says rarely turns up vital unknown information and has no exact equivalent in Scotland.
- Asking fewer questions to reduce the councils' workload.

House buyers pay a fee when making inquiries. The minimum is now £12. The committee, which estimates that £15m to £20m a year may be paid in fees, says one council reports making a profit on the service and another subsidises it by as much again as the fees. Most do not calculate what it costs them.

Local Authority Enquiries: How Can We Eliminate Delays? Free from Secretary of Conveyancing Standing Committee, Law Commission, Conquest House, 37/38 John Street, Theobalds Road, London WC1 2BQ.

FINANCIAL TIMES SURVEY

Behind the picture postcard image of Westminster is a bustling but disparate community where 180,000 residents, big businesses, world-famous shops and tourists mingle. **David Lawson** looks at problems arising from conflicting demands on finite resources

Big Ben and the Palace of Westminster, the city's best-known skyline — Trevor Humphries

Westminster

London's city of paradox

POPULAR capitalism and Big Bang publicity have helped widen even further the use of "The City" as a label for the finance factories clustered around the Bank of England and Stock Exchange. Yet London has another city, Westminster, which can claim greater political power, more office space and an even higher public profile.

Westminster represents the real face of London to the man in the street, whether in Bolton, Baltimore or Brisbane. It is Big Ben and the Houses of Parliament, Buckingham Palace and Hyde Park, Oxford Street and Piccadilly Circus. But these landmarks are not the real city either. That lies behind the picture postcard images: a community of more than 180,000 residents, a workforce of more than 500,000, and one of the biggest business centres in the world.

Westminster is an inner city area with the same problems as any other. It has 15,000 homeless families, 10,000 people waiting for council homes and a large immigrant population.

Paradoxically, it is also the richest local authority area in the UK. But this is a city of paradox: obvious wealth blossoms in Mayfair, Belgravia and St John's Wood, yet the Mozart council estate in nearby Paddington had to be remodelled to deter muggers and vandals.

Developers are scrambling to satisfy the demands of business tenants, yet planners enforce one of the tightest conservation regimes in the UK to safeguard more than 10,000 protected buildings. Almost three quarters of the city is covered by conservation areas.

Tourism and retailing provide millions of pounds in rate income and thousands of jobs, but are fiercely controlled in case they disturb local residents. City councillors can expect few thanks in an endless battle to resolve some of the conflicts inherent in an international business centre superimposed on a population the size of a substantial provincial town. Whichever way it jumps, the other side has cause for complaint.

The local chamber of commerce, for instance, has just submitted a fat report called Westminster Business 2000 organised by Mr Bob Kennings seconded from NatWest Bank, which boils down to a complaint that the dice are loaded too heavily in favour of residents and conservation.

"Apathy is the biggest enemy," says Mr Derek Allen, the chamber's chief executive. "Westminster has been prosperous for so many years that we could become complacent instead of facing dangers such as the competition from out of town shopping centres and the impact of the new rating system."

Perhaps this was a good time to raise complaints. Once uniform business rates are imposed in 1990, the business community can no longer claim the special voice it says it deserves for contributing more than 80 per cent of Westminster's current £550m annual rate income.

Ironically, the strongly Thatcherite council has turned on political allies in the Government to fight the rates reform. Mr Rodney Brooke, Westminster chief executive, points out that the new system, combined with a long overdue revaluation, could see commerical rates soaring by between 30 per cent and 40 per cent in the city.

One estimate shows Selfridges' bill rising from £1.75m to £2.3m a year and the Dorchester Hotel's from £547,000 to £717,000. Some small businesses fear they will go broke. The council also objects to a poll tax based on a population of 450,000 (including people in hostels and services). It wants a special dispensation along similar lines to the City of London.

Mr David Weeks, the acting council leader, is particularly aggrieved because he says Westminster has cut its rates in the last six years when inflation has risen by 32 per cent. The council has also thrown itself wholeheartedly into Mrs Thatcher's mission to make local government more efficient, underspending by 5 per cent this year and planning to tender out a battery of services like refuse collection. It has even imposed performance related pay on its top officials.

Westminster might also be due a favour for the way it has ridden through fire and brimstone to pioneer the Government's education and housing revolution. The council has jumped quickly to propose pulling out its 50 schools from the Inner London Education Authority on the premise that educational standards are too low.

It has often been a thorn in the side of the Labour-controlled ILEA, but Mr Weeks insists this is not a political move.

"We are not alone. Non-Conservative councils are also considering whether they could do a better job," he says.

In fact the proposals are part of a wider package of changes Westminster is using to discriminate in favour of middle income workers which it says are being driven out of the area by poor schools and expensive houses. A report for the council by PA Cambridge Economic Consultants revealed that the population had fallen by 20 per cent in 10 years. This led to Westminster's "stable communities" policy, which includes selling up to 9,500 of its 22,000 council flats to local residents and workers and cracking down on holiday letting of private homes.

Home ownership is much lower than the national average as foreign buyers price out locals and lettings eat away the remaining stock. This squeezes out the very people Mr Weeks says are necessary to maintain "a vital city." So the 5 per cent of certain designated blocks of flats which normally fall vacant each year will be put on the market to priority groups with strong local connections.

Passions have run high in opposition to the proposed sales. Labour councillors were among those arrested after a housing committee was disrupted by protestors. Nor did it help cool matters when the council proposed to ship out 15 homeless families to prefabs on a patch of redundant land, owned by the Central Electricity Generating Board, in east London.

Another part of the "stable communities" approach is to reduce the burden of 2,000 homeless families in the city. Mr Brooke says 75 per cent of these have been dumped in the area by other boroughs because Westminster has so many hotels something like half the number of hotel rooms in London.

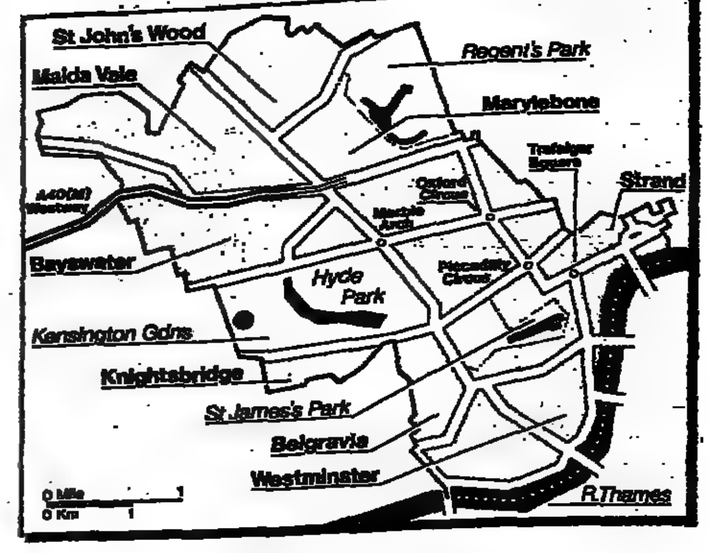
This had created a burden on social services, pushed up local unemployment figures and destabilised communities. In one Paddington school, 90 per cent of the pupils were "transitory". This is why the council was running the gauntlet of pressure groups by objecting to a redundant Middlesex Hospital nurses' hostel being converted for use by the homeless.

"In any case, anyone we aim to move out would not be those with strong Westminster connections," added Mr Weeks.

Everyone seems to demand a bigger slice of this city: the homeless, tourists and shoppers. But the business versus residents clash is the chief dilemma. Rather than turn away business, however, the planners are trying to ease developers out of the congested centre to revitalise places like Paddington Goods Yard.

"It would be nice to be able to drive into the city along the Westway and the first thing you see is a symbol of the buoyancy of the economy under Mrs Thatcher's Government," enthuses Mr Weeks.

It would be a typically public way for Westminster's councillors to solve at least one of the conflicts that dog their every move.



Battle of Mayfair

Right balance is difficult to find

ALMOST HALF a century after the final all clear sounded over Westminster, the implications of the Second World War are still being fought in the city. The battleground is small, involving only a few hundred elegant buildings in the heart of Mayfair. But the passions and the prizes are big enough to have locked tenants and property owners in a lasting alliance against local planners and residents' groups.

The buildings changed from homes to offices by wartime requisition or to ease the plight of bomb damaged businesses. After the war, "temporary" office permits were granted to ease the shortage of business space. But the last of these are now running out and the city council wants the blocks converted back into homes.

It is passionate about plugging the drain of people out of Mayfair; the population has declined by a third to less than 200,000 since the war. Residents also fear the creation of a ghost town, dominated by offices and dead after working hours. The business community is equally passionate about protecting small firms now using the buildings.

The Chamber of Commerce points out in its Westminster 2000 report that the final tranche of 175 buildings due to revert in three years will displace more than 150 businesses and cost 4,000 jobs at a time when small office suites are becoming much rarer and prohibitively expensive to rent. But close to twice this number of businesses were found to be threatened when agents Fuller Peiser explored the impact of the changes. The vast majority wanted to stay, but all faced deep uncertainty about their future.

The Grosvenor Estate, which owns many of the buildings, says it supports the idea of balance between homes and offices a large part of its holdings are residential. But it argues that residential floorspace has increased by almost 300,000 sq ft in Mayfair over the last 20 years, while less than 100,000 sq ft of offices have been created. Planners seem slightly impatient with the amount of fuss that has been made for so long over the possible loss of less than one per cent of the city's office space. Nor do they accept that all the buildings will revert. "We take into consideration whether it is physically possible to convert these historic interiors back to homes and whether this is financially viable," says Mr Sydney Sporle, Westminster's acting planning director. More than a third of the first batch of permits which expired in 1973 were kept as offices and not all the displaced companies left the city. Two thirds of the final tranche so far considered will remain in complete or partial business use, he says. This seems to cut little ice with the opposition, however. The need for individual appraisals of each building means that more than 70 decisions still have to be made in the next three years. Fuller Peiser is not convinced there is enough time, and points out that tenants are living meanwhile under a cloud of uncertainty. It seems that Westminster has some time to go before it can finally declare the end of a war that has disappeared into the history books elswhere

Business Community

Bursting at the seams

WESTMINSTER IS a business centre half hidden by disguise. Behind Edwardian facades hardly discernable from neighbouring blocks of flats, or tucked above elegant stores and brassy boutiques is an office centre on a par with world centres like Manhattan and Tokyo.

The glass-towered City of London seems to epitomise the business heart of the UK. Yet the West End boasts half as much office space again - almost 90m sq ft and most of this is in Westminster. More than a quarter of all the floorspace in the city is taken up by offices. Not everything is crammed into old buildings, as views down the glass canyon of Victoria Street powerfully prove.

But a large slice of the 600,000 or more workers who pour into the area each day disappear into the historic depths of Mayfair, St James's and Covent Garden, often beavering away cheek by jowl with residents. This has contributed to one of the great dilemmas facing Westminster.

The business community is bursting at the seams as it desperately tries to find more space within the constraints of conservation and the conflicting demands of residents.

The whole West End went through a hiatus in the early 1980s as the national economy dipped and new buildings in areas like Victoria stood empty. But in the last three years the economy has soared again, pushing up rents and starting a new rush to build.

Demand for office space has more than doubled. Increased confidence spurred many of the thousands of small companies based in the city to expand. Meanwhile, financial institutions unable to find space in the City of London since the Big Bang have spilled into the West End.

Salomon Brothers led the charge into the West End when it took space over Victoria Station, closely followed by a hoard of names like Manufacturers Hanover, Credit Suisse and First Bank of Boston. On a lower level, NatWest bank is typical in moving its regional office from the City of London to Curzon Street because it wants to be closer to this blossoming business community.

Rent levels shot up by more than a third in Mayfair last year as businesses fought each other when spare space came on the market. *It now costs more than £40 for each square foot of office space there.* Even Victoria, so long in the doldrums, has seen rents on new space boom to more than £30 a sq ft.

New buildings are beginning to come out of the ground; some 2.3m sq ft is under way and the same amount has yet to start as the planners relax their iron grip on development. The question is whether this is in the right place and enough to go around.

The local chamber of commerce in its Westminster 2000 report points out that small Mayfair tenants want to stay in small buildings, not shunt into tower blocks. But there is little chance of much new development in areas where history has to take preference over economics.

Only a quarter of Westminster's new office space is being developed in Mayfair and St James's, and a good slug of that comes from Legal & General's 200,000 sq ft Lansdowne House on Berkeley Square. For all the planners' determination to ensure that small tenants are catered for in big schemes, this is almost inevitably destined for one of the big financial or professional groups at rents well over £40 a sq ft.

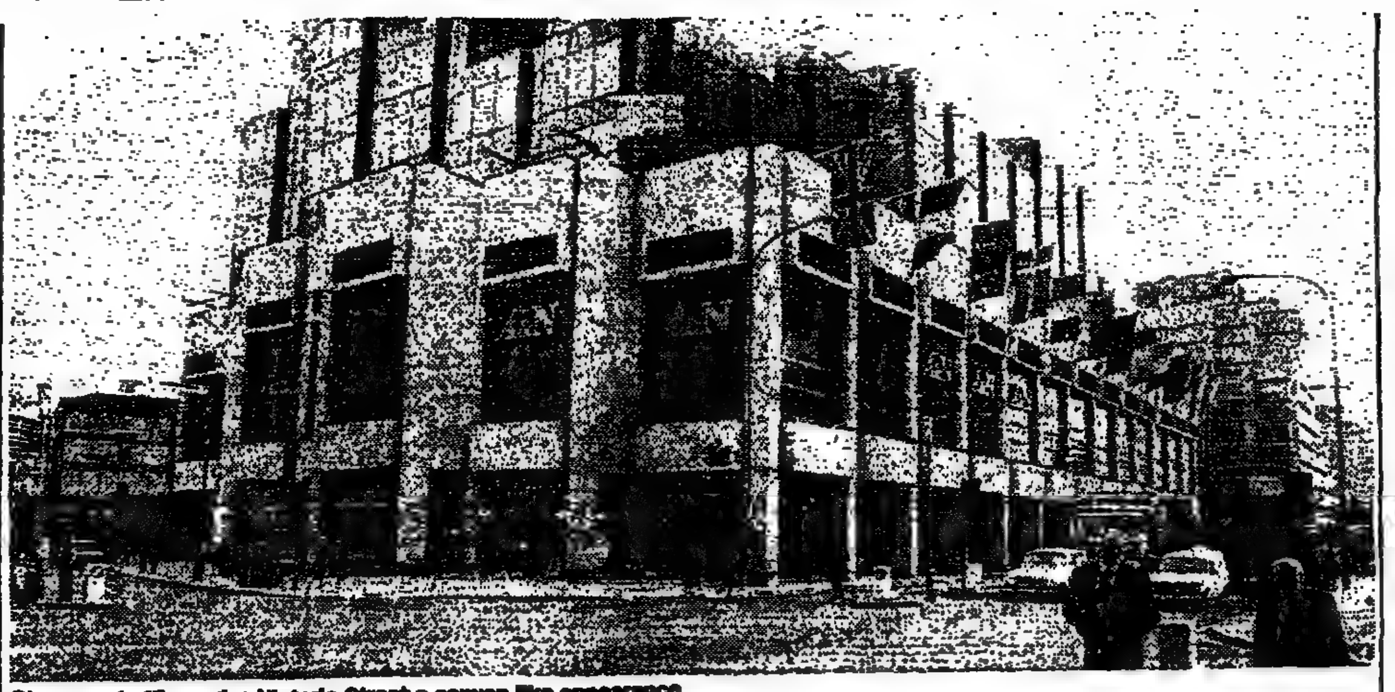
Other giant developments like Greycoat's schemes over Victoria and Charing Cross stations show the new confidence in Westminster. But they could be swallowed by big financial groups as well.

The stock market crash may yet cast a shadow over these incursions. But the underlying strength of the economy will ensure that the traditional service which makes up the bulk of the Westminster office community will continue to strain for growth.

Agents Richard Ellis found that a fifth of the businesses that had taken new space last year wanted more. Pentup demand exceeds potential supply by more than 1 million sq ft over the next couple of years - a sure formula for rising rents and extra headaches for planners trying to fit quarts into pint pots.

One solution being considered by the council is to siphon off development from the traditional central business zone.

Dealing room of Salomon Brothers



Stores and offices give Victoria Street a canyon-like appearance

Tourism is a multi-billion pound industry

Catering for 70,000 a day

TELEVISION MAY have broadened the world's view of the real Britain over the last decade, but in the eyes of the average American, Japanese or Italian, London stretches little further than the boundaries of Westminster. That seems quite understandable considering that most of the sites they associate with the country are within the city: Big Ben, Buckingham Palace, Westminster Abbey, Trafalgar Square and Piccadilly Circus.

Even when they visit the UK, the image may be barely dented, as these are all the most popular attractions. Only the Tower is a more powerful countermagnet in London. Apart from this excursion, many overseas visitors hardly seem to stray outside the city, as they also tend to stay at hotels in Westminster.

The city contains more than 30,000 rooms almost half the total number in London. Shopping visits may take tourists only as far as Oxford Street and Covent Garden (or Carnaby Street for the Sixties generation). Days are spent at the National Gallery (3m visitors in 1985), Madame Tussaud's (2.3m) or London Zoo x(1.2m), and evenings in the city's theatres or Soho's restaurants and nightspots.

But this multi–billion pound industry is not without its problems. The sheer bulk of 70,000 visitors on each average day adds to the burden on the local authorities' transport and cleaning services. And the demand for more hotels, restaurants and clubs is one more conflict with the needs of residents that has to be resolved.

Planners insist that they are not anti-hotel, which would come as some surprise to Mr Jonathan Bodlender of management consultants Horwath & Horwath. He pointed out in a recent report on London's tourist accommodation that a crisis was looming in the next decade unless more space was provided for visitors. Yet in Westminster, the needs of residents and the environment came well before those of tourism. This effectively restricted hotel development to central office areas, where land prices made them uneconomic.

The city was lumped in with Kensington & Chelsea, which had not allowed a new hotel since 1969, as the main stumbling block to meeting growing demand. But Westminster is nowhere near as intransigent as its neighbour.

Potential hotels include the BBC centre in Langham Place, *the Crown Agents* building near the Commons, Leicester Square Dental Hospital and BR's Marylebone offices.

The council is also quick to point out that it was so keen for the old St George's Hospital at Hyde Park to become an hotel that it served compulsory purchase orders on the joint owners to make sure they got started.

The big problem now is sorting out designs for the offices behind the old block. But in all the fuss it has almost been forgotten that the scheme would involve clearing away half of Hyde Park's public stabling.

Riding in Rotten Row faces huge problems after nearly 300 years establishing itself as one of *those images of London* imprinted on visitors' minds, according to Mr Neill Mitchell, who is leading the fight for the riders.

Basic statistics

Area: 8.5 sq miles

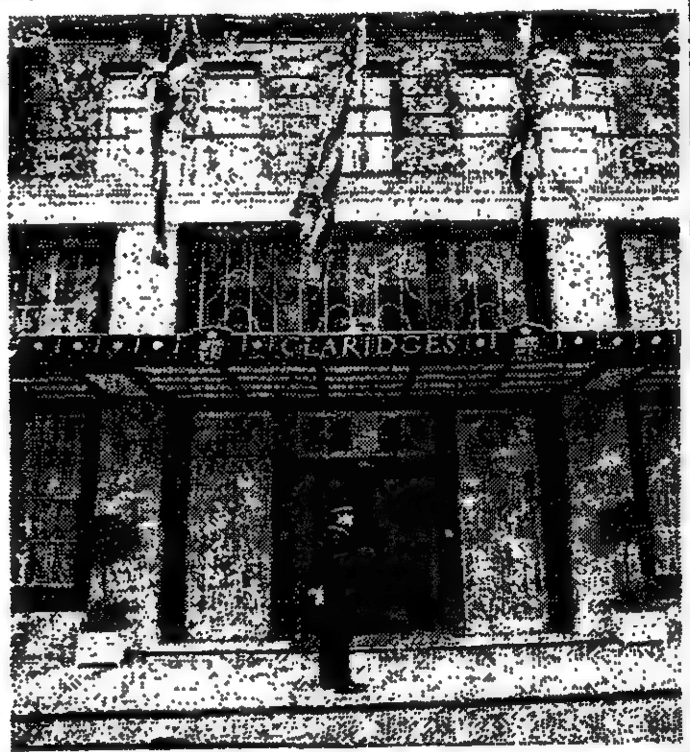
Population (resident): 180,000

Daytime population: 1m

Workforce: 500,000

1986 rateable value: £344m (includes £290m commercial)

Floorspace: 87m sq ft offices (26 per cent)
140m sq ft residential (41 per cent)
22.6m sq ft shopping (7 per cent)
2.8m sq ft industry (1 per cent)



Top stores and hotels for top people: Harrods and Claridges

Shopping

The golden triangle

EVERY MAP and guidebook in the world places the heart of London in a crowded forecourt outside Charing Cross Station. Visitors, and many Londoners, have a slightly different view. Signposts in Tokyo, Tottenham and Turin may converge on this mythical mark but most of the people who follow them make a last minute detour westwards to *one of the biggest concentrations* of shops in the world.

The triangle between Marble Arch, Piccadilly Circus and Tottenham Court Road tube station is both London's "high street" and the most popular tourist centre in the UK outside the Tower of London. Oxford Street alone is equivalent to an average large town centre, with 200 shops and 12 department stores turning over some £3bn a year. Bond Street and Regent Street make up much of the balance of 37 department stores and 7,800 shops in Westminster, which encompasses something like 60 per cent of central London's retail space.

This overlapping role has produced a wide spread of shopping, ranging from *the luxury of Harrods* and Burberry, through the variety of Marks & Spencer and Debenhams to the pazazz of Virgin Records and a host of glitzy boutiques.

It has also given retailers a double bite of the cherry and contributed to continuing prosperity. When Londoners' spending power dropped during the recession, the 7 million overseas visitors pouring each year through Oxford Street kept till bells ringing.

As tourism collapsed after the Libyan crisis, UK spending was recovering again. Now the visitors are back to ameliorate the impact of the latest stock market depression.

"Shop rents, probably the best indicators of how business is faring, rose more than 30 per cent this year in Oxford Street to break the peak levels of 1979 according to agents Debenham Tewson & Chinnocks. The best space now costs more than £410 a sq ft a year in rent and rates.

But department stores cannot sit back and rely on past success. They must be ruthless in updating designs and casting aside products like bedding and washing machines, which produce too little profit for the expensive space they occupy, according to agents Healey & Baker. Whiteleys and Bourne & Hollingsworth, once top West End names, failed to make the grade. But at least they have provided much needed space for eager developers to provide a new style of covered shopping centre.

Debenhams, Dickens & Jones and D H Evans have no intention of going the same way and are spending freely to remodel their stores and change their sales pitch. Even the illustrious Harrods has been spruced up. Meanwhile, Marks & Spencer, not satisfied with having the world's highest turnover per sq ft in its Marble Arch store has added another 17,000 sq ft and plans to extend its Pantheon store near Oxford Circus in the near future.

But *all* the extra shoppers being served create enormous congestion problems, and the local Chamber of Commerce fears that the proposed string of covered centres around London could entice people away with their promise of comfort and easy access by car. Its survey of prospects to the end of the century called for environmental improvements and better promotion of the West End to match the sort of publicity in which the new centres would invest. Retailers would also benefit from a less strict policy on preserving old buildings, it said.

Planners argue that they are trying their best to beat the Oxford Street blues. Improvement schemes like South Moulton Street and other pedestrian areas further into Soho such as Carnaby Street have flourished. Cars are also banned from Oxford Street.

But proposals to divert taxis and buses as well were thrown out by Mayfair residents, who did not want the extra traffic rolling past their windows. Instead the council is proposing to widen pavements, narrow the road and make the place look more attractive for shoppers. It says it is fully aware of the importance of a street which supports 60,000 jobs and millions in rateable value. But as ever, in the conflict between business and local people, residents take priority.

Homes

Divisions in the house

OF ALL THE inherent contrasts in Westminster, housing is perhaps the most extreme. The most affluent local authority area in Britain naturally contains some *of the best addresses* Park Lane, Mayfair, Belgravia, St John's Wood. A £1m price tag would scarcely raise an estate agent's eyebrow unless he thought it a bargain.

But there is more to Westminster than millionaires. The city also sprawls across some of London's poorest estates: almost 30 per cent of homes were under council control in 1981 and a further 40 per cent rented privately. *Add* to that an immigrant population three times the national average, *10,000* people waiting for a council house and 2,000 homeless families in care, and the picture changes to a more typical inner city profile of disadvantage.

And thereby hangs an enormous political row which has seen strikes, questions raised in parliament and protesting councillors arrested. In spite of the social problems, the ruling Tory group has incensed the opposition and pressure groups by driving aggressively forward policies to sell close to half its council flats.

A housing committee was recently broken up in disarray by protesting residents, and five Labour councillors were arrested after police were called in.

Opponents claim this is the unacceptable face of Thatcherism: council leaders and officials argue that they are building a much needed path for middle income people to buy their own homes.

"The problem we face is that many of the people who need to work in this area cannot afford to live here," says Mr Rodney Brooke, the chief executive. "House prices are well beyond their means."

The squeeze is made worse because a lot of housing is disappearing into short-term lettings or being snapped up by overseas buyers who want a place to stay when they visit London, added Mr Sydney Sporle, acting planning director.

Only 21 per cent of homes in the city were owneroccupied in 1981 compared with a national average of 43 per cent at that time. Yet almost as great a proportion were holiday lets, second homes or held by absentee landlords. "The important middle section which attracts those people vital to running a city is being squeezed down from the top," Mr Sporle says.

The council has already tried to ease the pressure by selling some 3,000 tenancies under the right to buy legislation. But its latest and most controversial policy involved a rolling programme of sales in designated blocks as flats become vacant. This could switch another 9,500 homes into the private sector as the council stock diminishes at five per cent a year.

At the same time, planners are trying to clamp down on holiday lettings, which have become big business in west London over the years. Developers are also being told to provide homes as the price for commercial schemes.

The Government will soon be asked to approve changes in the city plan which aim to break the polarisation of public and private housing. But this strategy of reducing the contrasts in Westminster seems likely to grab fewer headlines than the plight of the homeless, who have become human pawns in a greater game of social engineering.

Mr David Weeks, acting leader of the council, and (right) Mr Rodney Brooke, chief executive: coping with a squeeze

THE SHAREHOLDERS of the Midland Bank have grown accustomed to digesting startling developments in recent years. But on December 21 they will be asked to vote on a matter of unusual importance: the proposed £400m investment in the Midland by the Hongkong and Shanghai Banking Corporation.

Although this outlay will only give the Hongkong Bank a 14.9 per cent stake in the smallest of the UK's Big Four clearers, the deal is potentially far more significant than that. At the very least it will create a powerful link-up in the international banking market. But it could eventually go much further, to the point of a merger between the two banks.

The Hongkong and Midland banks currently rank respectively 31 and 34 in the world league based on asset size. The two together would jump up to seventh place, making them the second largest non-Japanese bank in the world, after Citicorp.

At the moment, neither of them is prepared to say that a merger is definitely on. There will be a three year "standstill" after the investment is made, and even then both banks could still go their separate ways.

Sir Kit McMahon, the chairman of Midland, comments: "A full merger? I don't know about that." Willie Purves, the Hongkong Bank's Scots-born chairman, says: "We'll have to see how it works."

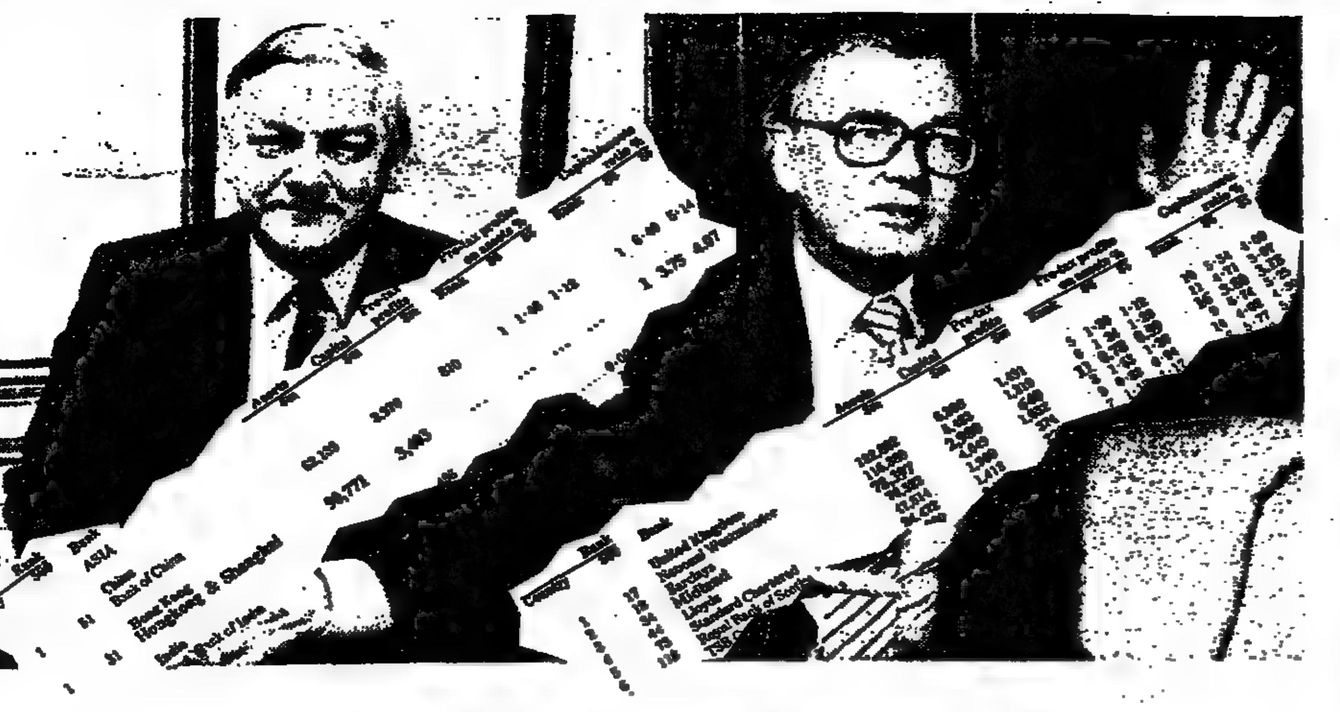
Nevertheless, both banks are going about the deal as if they expect it to lead to something big. The circular to Midland's shareholders about the vote contains a detailed plan showing how the two banks propose to carve up the world, and work together in areas like technology, and financial services where they share an interest.

Directors and staff are to be swapped. But, already, a busy round of consultations has begun with executives travelling to and fro between London and Hong Kong. As one of the Hongkong Bank's local competitors puts it: "That's a lot of co-operation for 14.9 per cent."

In fact it is hard to see how the two banks can avoid a closer marriage, barring a negative vote on December 21. They need each other. Midland Bank is financially weak, but well-positioned in the UK and continental markets. Hongkong Bank is one of the world's strongest banks, but it faces the dilemma of 1997 when the colony returns to Chinese rule.

The capital injection will enable Sir Kit to do two things. Straight away he will be better placed to make a further £100m provision against Midland's Third World loans, and bring them up to levels reached by the other clearing banks.

For the longer term he will have some spare cash to finance an active growth strategy, the first time Midland will be in that



William Purves (left) and Sir Kit McMahon: non-committal about a merger

A special relationship – if not exactly a marriage

David Lascelles examines the implications of the Hongkong and Shanghai Bank's investment in the Midland, Britain's fourth largest clearer

happy position since it made its disastrous acquisition of Crocker National Bank in the US in 1981. As Sir Kit puts it: "At the moment we are too small to be big and too big to be small."

The Hongkong Bank, for its part, will get its long-sought "third leg" in Europe to complement its other two legs in the Far East, and the US where it owns the Marine Midland Bank.

Escape route

Purves denies that the deal is intended as an escape route for his bank. "This has nothing to do with 1997. It's a business and investment decision," he says. "I find it difficult to believe that it would make any sense to move one's bank from Hong Kong." In fact, Hongkong Bank already has a bolt hole if it wants one in the Marine Midland Bank.

Analysts in Hong Kong say a far stronger sign of the bank's intention to leave would be a decision to sell Hang Seng Bank, its 62 per cent owned local subsidiary, which Purves says he has every intention of holding on to.

But speculation continues to swirl around the Hongkong Bank's motives, the most widespread view being that Purves has, at least, widened his options by joining up with Midland.

He must also avoid the slightest hint of quitting Hong Kong because of the devastating effect that would have on local confidence - and on relations with the Chinese. There is, however, one maverick view that Beijing would be happy to see the Hongkong Bank leave because that would clear the way for its own takeover of the colony.

Quite how a merger between Midland and the Hongkong Bank would be achieved is another intriguing question. The answer depends on the extent to which times have changed since the UK thwarted the Hongkong Bank's attempted takeover of the Royal Bank of Scotland in 1981.

In some respects they have. Sir Michael Sandberg, the Hongkong Bank's chairman at the time of the bid, has gone. Many people have blamed the Royal Bank fiasco on his aggressive style and poor relationswhip with the then Governor of the Bank of England, Lord Richardson. Purves is considered to be more in tune, culturally, with the UK banking establishment.

Earlier worries about the quality of banking supervision in Hong Kong have also eased. Tough new rules have been introduced in the last three years, and Hong Kong's new Banking Commissioner is a Bank of England man, Tony Nicolle, who is striving to bring Hong Kong banking regulation more in line with the British.

Even so, the Hongkong Bank would have to run the gauntlet of the Bank of England's "fit and proper" test before it would be allowed to assume control of Midland. Its chances of passing the test have not been strengthened in some people's eyes by the comments of the Governor, Robin Leigh-Pemberton, that UK clearers should not be allowed to pass into foreign hands.

Purves does not see an obstacle here. "I think we are fit and proper," he says. "We are also a British bank, when it suits us."

But intensely interesting as these issues are to the stock market and other banks, they are - officially at any rate - only of academic interest to Midland and Hongkong Bank as they set about creating their "alliance".

The geographic carve-up of their markets has been easiest. Basically, Midland will become the European partner by assuming control of most of the Hongkong Bank's branches there and buying its UK finance house business. The Hongkong Bank will look after the Far East and North America, where it will buy Midland's Canadian business. Both banks, though, will keep their own offices in key centres like London, Frankfurt, Tokyo, Beijing and New York.

Years to gain foothold

Purves says he is happy to cede Europe to Midland. Few of the Hongkong Bank's branches there have been consistently strong and profitable. "We'll be far better represented in Germany by Trinkaus und Burkhardt (Midland's Dusseldorf-based subsidiary) than through the two branches we have in that country." For its part, Midland would take years to gain the sort of foothold which the Hongkong Bank has got in the US and the Far East.

The rationalisation will also seek to combine the two banks' strengths in products and services, such as export finance, documentary services and correspondent banking, as well as technology and back-up.

The difficult part, however, will be in the area of investment banking which is more of a "people business" than commercial banking and where individual talents and sensibilities play a big role. Midland will not, for example, be yielding up its investment banking operations in New York or Tokyo because they form part of a "global" service.

Yet the potential could be very big. Midland owns Midland Montagu, which includes Samuel Montagu, the merchant bank, an equity stockbroking business and a gilt-edged primary dealership. Hongkong Bank has Wardley, one of the leading merchant banks in Hong Kong, and James Capel, one of the City of London's top stockbrokers. Both banks are also active in the capital markets and investment management business.

In terms both of geographic spread and range of products, these could form the basis of an impressive worldwide investment banking business.

The only major overlap is in the US where both banks own a US Treasury bond dealership. One of them may have to be closed down or sold.

But merging these operations will be difficult. "We can't push it because there are a lot of prima donnas," says a Midland executive. Purves comments: "It's a people business, and it will have to be handled carefully, or there will be sparks. But if people see the opportunities, they will work together."

For Sir Kit, the deal is a sign that Midland has not resigned itself to becoming just a local British bank – whereby "as we go down we meet the Trustee Savings Bank coming up." But he is not prepared to speculate on just what the alliance will look like, partly because he states firmly that neither side is irrevocably committed.

But does the detailed planning not mean that the two banks will be so tightly bound by the end of three years, that they will be unable to part, except very painfully? "That's a risk I am prepared to take," he says.

Purves also puts a limit on his ambitions for the alliance at this stage. "We're not trying to be a Citicorp, being all things to all men. I don't see us, for example, being in Africa, Eastern Europe or Latin America.

"But we shall be in Asia, Australasia, North America, the Middle East and Europe. And we shall be in global investment banking. But does it all have to be one animal? I'm not sure."

The world turned upside down

Anatole Kaletsky on the establishment of a US business school in Japan

MAN BITES DOG. Japan imports American management methods.

In a move which flies in the face of conventional wisdom about the shortcomings of American business education, this week saw the signing of the first agreement to establish a US business school on Japanese soil. This will not only be the first institution to teach a US-style curriculum in English to Japanese students, but the new MBA programme, to be organised by Dartmouth University's Amos Tuck School of Business for the International University of Japan, will also be only the second business studies degree of any kind to be offered in Japan.

The deal between Tuck and the IUJ may not have attracted as many headlines as the nuclear missile treaty signed in Washington. But it is just possible that cynics in the 21st century will point to the export of MBA programmes as America's economic secret weapon – the Trojan Horse which won by stealth the trans-Pacific business battle in which every conventional weapon of corporate warfare had so dismally failed.

Possible, but not likely. The Japanese are well aware of the deep misgivings within the US business community about the traditional American approach to management education. They seem to regard the new MBA programme as much as an opportunity to study US business methods and compare them with those in Japan, as a tool for teaching their own managers.

Of course the Japanese are far too polite to say this directly. Shuntaro Shishido, the IUJ's president, stresses instead the need to provide "education in English for a young business elite", as Japan expands its role in the world and large corporations adapt to international obligations.

The fact remains, however, that there appears to be no widespread clamour in Japan for mainstream line-managers to receive formal business education. Until this week's Tuck-IUJ agreement, Keio University, the country's oldest and most prestigious private university, had a nationwide monopoly on MBA education. It is significant that Japan's second MBA programme will be instituted at a university whose role is not to provide Japanese students with basic business education but to increase the country's understanding of the world beyond the Sea of Japan.

The IUJ teaches all courses in English and takes only postgraduate students. At present its 195 students receive an MA degree in International Relations. Roughly 40 per cent of them come from foreign countries, led by China, the US, India and the Philippines. Of the Japanese contingent, 90 per cent are already employed by Japanese companies, who sponsor their studies and then bring them back into internationally-oriented posts.

The initial makeup of the MBA student body is likely to be quite similar. An all-important difference between the IUJ business school and the conventional American model will be that most students will already have senior jobs in large Japanese corporations. Even for Japanese MBAs, employers will continue to provide the most important elements of basic business training. The creation of MBA programmes is seen as a complement, not a substitute for the strong Japanese tradition of internal management education, as Yotaro Kobayashi, president of Fuji Xerox and vice chairman of the IUJ points out.

Indeed, one of the main reasons why the IUJ chose the Tuck school at Dartmouth as its partner appears to be the pragmatism of the Tuck approach and its emphasis on "clinical" experiences, involving direct contact with real corporate problems. The Tuck School's most celebrated member, Professor James Brian Quinn, has done a great deal to bring American teaching on corporate strategy down to earth and will be the academic dean for the new IUJ programme.

As well as the prestige of being the first US business school to be so intimately involved with a Japanese institution, Tuck is particularly attracted by the fact that this will be "an unusual opportunity for our faculty to examine Japanese enterprise and leadership first-hand."

Akira Ohtomo, executive dean of the new MBA programme, says in answer to the obvious question of why Japan should want to import America's apparently unsuccessful management methods. "We are not concerned about that kind of criticism at all. American academics have great analytical capabilities. By working with Americans we Japanese can learn to understand the best of business practices in both countries - and maybe find out what is really wrong with some American methods too."

FT LAW REPORTS

Shipowners' limitation action goes ahead

BALTIC SHIPPING CO v OWNERS OF CARGO ON MEKHANIK EVGRAFOV

Queen's Bench Division (Admiralty Court): Mr Justice Sheen: December 3 1987

SHIPOWNERS against whom judgment has been given in consolidated actions by cargo owners for damage to cargo may, in special circumstances, start separate post-judgment proceedings to limit their liability.

Mr Justice Sheen so held when refusing to strike out two identical actions by plaintiff shipowners, the Baltic Shipping Company, claiming declarations that their liability to owners of cargo, carried on the Mekhanik Evgrafov and the Ivan Derbenev respectively, was less than that for which judgment had been given in a previous consolidating action.

HIS LORDSHIP said that in January 1982 the Mekhanik Evgrafov loaded a cargo of newsprint in Canada for carriage to England.

The cargo was loaded in undamaged condition. When it was delivered it was extensively damaged by fresh water due to condensation.

The cargo owners issued a writ claiming damages. The court *ordered the action to be tried at* the same time as the Ivan Derbenev action, and fixed the trial for July 6 1987.

On June 23 1987 the shipowners, as defendants in the consolidated action, served an admission of facts on the cargo owner, admitting quantum of damages was £420,963 "without prejudice to their right hereafter to limit their liability under the Merchant Shipping Acts 1894-1984".

On June 25 they sent a telex message to the cargo owners that should they be held liable, they would wish to limit liability, relying in particular on section 503 of the Act [which provided that a shipowners could limit liability for loss or damage to goods if it occurred without his actual fault or privity].

They said that as defendants in the two actions they were entitled to plead limitation by way of defence, but they also had the right to start separate limitation proceedings.

No reference was made to section 504 of the Act, which provided for a limitation action where several claims were apprehended.

On June 26 the cargo owners replied that where there was only one potential claimant on each limitation fund, the appropriate course was to plead limitation as a defence, and/or immediately to apply for a declaration. Waiting till after judgment in the main action *before deciding whether to commence* a limitation action could, it was said, "result in a substantial and unnecessary increase in costs".

On June 30 they sent a further telex that there should be time to deal with the issue at the trial as part of the defence, and so save time and cost.

The consolidated action came on before Mr Justice Hobhouse. He found that the cargo damage on each vessel was caused by improper ventilation. On July 31 he entered judgment for the cargo owners for £420,963 and £214,224 respectively.

On August 3 the shipowners issued a writ, having taken a conscious decision to await the judgment and then deal with the question of limitation. There was no suggestion in the writ that there was more than one party with a claim against the shipowners in respect of the occurrence which gave rise to liability.

The shipowners said they were following a practice approved in *Penelope II [1980] 2 Lloyd's rep 17*.

On the present summonses to strike out the actions, Mr Milligan, for the cargo owners, made the point that in the consolidated action the shipowners would have been entitled to rely on section 503 by way of defence. He stressed they were specifically invited to raise the defence, but failed to do so, with the result that judgment had *now been given on all issues*.

He submitted that the matter was *res judicata*, and the shipowners could not now commence an action for a declaration that their liability was less than that for which judgment had been given. He asserted that the action was an abuse of the process of the court and should be struck out.

In *Yat Tung Investment [1975] AC 581, 590* Lord Kilbrandon said "The plea of *res judicata* applies, except in special cases ... to every point which properly belonged to the subject of litigation, and which the parties, exercising reasonable diligence, might have brought forward at the time".

In *Fidelitas Shipping [1966] 1 QB 640* Lord Denning made a similar statement, but said "this is not an inflexible rule. It can be departed from in special circumstances".

Nowhere did one find any guidance as to what might be regarded as "special circumstances".

In the present case the relevant circumstances were: (1) the admission of quantum "without prejudice to the right hereafter to limit liability"; (2) the shipowners' telex of June 25 that they would wish to limit liability should judgment be greater than the limit; (3) the cargo owners' *complaint on June 26 that the* shipowners' chosen course could result in substantial and unnecessary increase in costs; and (4) the cargo owners' suggestion on June 30 that there would be adequate time to deal with the issue of limitation in the consolidated action.

In the *Penelope II* there was only one claimant against the shipowners. The arbitrators made an award in favour of the cargo owners. The Court of Appeal held that the shipowners could wait until after the award had been made before bringing an action to limit their liability.

Lord Justice Brightman said "an owner can ... limit his liability post judgment or post arbitration in a single claim case as well as in a multiple claim case".

Having regard to the manner in which the Court of Appeal dealt with *Penelope II*, it would be unjust to hold that the shipowners could not now obtain a declaration that their liability to the cargo owners was limited.

There were special circumstances which prevented the cargo owners from relying successfully on *res judicata*.

Documents showed that both sides took the view it was permissible, even if unnecessary costs would be incurred, to raise the question of limitation after *judgment had been given. The* cargo-owners had, or could have had, all the information necessary to determine the limit of the shipowners' liability, and they were aware before the action that the shipowners would rely on that limit.

Accordingly, the actions were not an abuse of the process of the court. The summonses to strike out were dismissed.

The provisions of the Merchant Shipping Act 1979 relating to limitation of liability were now in force and Part VIII of the 1894 Act had been repealed. In case there were some claims outstanding to which the 1894 Act applied – all three members of the Court of Appeal in the *Penelope* said that section 504 applied only where several claims were made or apprehended; and that when there was only one claim, section 503 ought to be pleaded as a defence. Hereafter there might not be any "special circumstances" which would prevent a plea of *res judicata* from *being successful*.

For the shipowners: Angus Glennie (Middleton Lewis Lawrence Graham).

For the cargo-owners: Iain Milligan (Clyde & Co).

By Rachel Davies

Barrister

APPOINTMENTS

New chairman for Amersham International

Sir Edwin Nixon is to become chairman of AMERSHAM INTERNATIONAL in succession to **Sir John Hill** who intends to retire next April. Appointed to the Amersham board as a non-executive director in July, Sir Edwin is chairman of IBM United Kingdom Holdings and a deputy chairman of National Westminster Bank. He is also a member of the president's committee of Confederation of British Industry and a council member of the Open University.

*

Mr Clive Hollick, managing director of MAI, has been appointed a non-executive director of LOGICA.

*

TILBURY PLANT has appointed **Mr Geoffrey Drage** as a non-executive director.

*

Mr Wes van Riemsdijk has joined the main board of YATES BROTHERS WINE LODGES as a non-executive director. He is chief executive of Pizza Hut (UK) and a member of the Whitbread retail board.

BRITISH TELECOMMUNICATIONS has appointed **Mr Tony Vardy** director of corporate strategy from January 1. He is director of finance at British Telecom International.

*

J. BIBBY & SONS has appointed **Mr D.B. Macgregor** and **Mr T.M. Walmsley** to the board. Mr Macgregor is chief executive of the paper and converted products division and Mr Walmsley is chief executive of the science products division.

*

HALIFAX BUILDING SOCIETY has appointed **Mr David Thornborrow** divisional manager personnel. He was personnel controller and succeeds **Mr Malcom Wykes**, who has become regional general manager, Greater London. **Mr David Harrison** has been appointed regional operations controller, Greater London, from January 1. He is currently regional operations controller East and succeeds **Mr Andrew Keates**, who has been made regional general manager, South Wales and West. **Mr Jim McCook** has been appointed regional controller, East from January 1. Mr McCook *is manager of the Southhampton* branch.

*

Mr G. de Sese, former deputy general manager of Banque Internationale de Congo, a Banque Internationale pour L'Afrique Occidentale affiliate, has been appointed general manager of B.I.A.O. London branch. His predecessor, **Mr M. Saxby**, has now taken up a new post as managing director of B.I.A.O. Overseas Investments.

GUINNESS has appointed **Mr Geoffrey King** as group company secretary from January 1.

RANDSWORTH TRUST has appointed **Mr Stephen Musgrave** to the board. He was group development director at Stockley.

*

Mr Patrick Cox has been appointed chief executive of PERGAMON MEDIA TRUST's television, satellite and cable operations, worldwide. He was formerly chief executive of Satellite Television and was instrumental in building Sky Channel.

*

MONCREIFFE & CO has appointed **Mr Calum Murray** as international marketing director. He was export director at John Dewar & Sons with responsibility for Dewar's White Label in Europe and Latin America.

*

Mr Keith Thompson has been appointed a director of SCOTT UNDERWRITING AGENCIES. He was previously agency manager and company secretary.

*

Mr Charles von Westenholz has joined the ROBERT FRASER GROUP as deputy chairman and managing director of Robert Fraser Corporate Finance, a new *company within the group. The* chairman is **Lord Rippon of Hexham**. **Mr Niall Caven** has also been made a director. Both were previously at Grindlays where Mr von Westenholz was head of the corporate finance division.

On the merchant banking side, **Mr Alan Coutts** is to become a non-executive director following his recent appointment as managing director of Regentcrest.

Further expansion within Robert Fraser Insurance Brokers has seen the appointment of **Mr Nick Porritt** as a director of Robert Fraser Reinsurance brokers. Mr Porritt was formerly a director of E.W. Payne, reinsurance arm of the Sedgwick Group.

Mr David Gibbons, formerly with the Hogg Robinson Group, *has joined as managing director* of Robert Fraser US and International.

Mr David Seel and **Mr Peter Roxburgh** have also joined from Hogg Robinson and they have both been appointed directors of Robert Fraser Special Risks, a division specialising in stop loss insurance.

Mr Tobin Roberts has been appointed a director of Robert Fraser Financial Management, the company handling individual pensions, investments and tax planning. He was formerly a senior consultant with Noble Lowndes.

*

Mr A.H.Stanton, general manager Europe, Africa and Middle East, Eaton Industrial controls division, has additionally been appointed a board director of EATON LTD, the UK subsidiary of Eaton Corporation, Cleveland, Ohio.

*

Mr J.B.Holmes, formerly general manager and director of Bradford and Bingley Building Society's south east region, has been appointed managing director of CENTRAL CAPITAL MORTGAGE CORPORATION, a subsidiary of Central Capital.

*

KIRKLAND WHITTAKER (CURRENCY DEPOSIT BROKERS) has made the following appointments: **Mr John Axisa** and **Mr Ray Liva** as directors and **Mr Brian Hugh-Jones** an associate director.

*

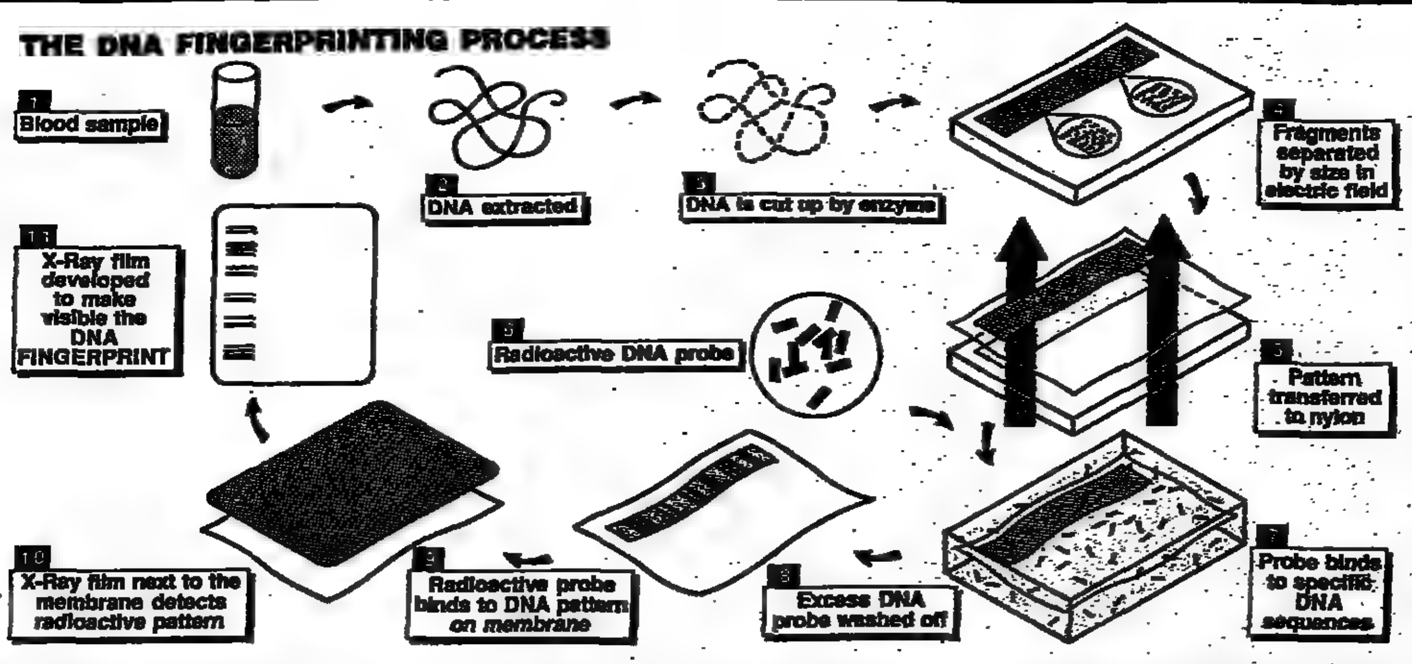
Mr Chris Cailes has been made managing director of ISTEL. He was operations director and deputy chief executive.

*

HADRIAN TRUSTEES has promoted **Ms Fiona Goulbourn** and **Ms Berverley Duke** to executive directors.

How the genetic trail leads to who did it

Clive Cookson examines the way in which DNA fingerprints are used to track down criminals and prove disputed parentage



LEGAL HISTORY was made in Britain last month when Robert Melias, a 32-year-old labourer, was convicted of rape at Bristol Crown Court on the basis of his genetic or DNA fingerprint. Two weeks later a second rapist, 25-year-old Nigel Davies, was also convicted through DNA fingerprinting, a method which identifies individual patterns in the chemical blueprint for life.

Meanwhile, hundreds of families from Bangladesh and Pakistan are undergoing the same DNA tests in an effort to prove their family relationships to the British immigration authorities. And courts are beginning to accept the evidence of DNA fingerprints instead of traditional blood tests in paternity disputes.

DNA fingerprinting was discovered three years ago by Alec Jeffreys, a 37-year-old geneticist at Leicester University, as a by-product of research into the evolutionary origin of human genes. He immediately understood its commercial potential, and the Lister Institute, of which he is a research fellow, patented the discovery.

ICI has since acquired the exclusive right to exploit the DNA fingerprinting process and has launched a new international subsidiary, Cellmark Diagnostics, on the basis of the technique.

Jeffreys is proud of the way he and the Lister Institute protected the discovery and ensured that it was commercialised in Britain – in contrast to some other important discoveries, such as monoclonal antibodies, which were not patented and have mainly enriched foreign companies.

Jeffreys discovered a particular sequence of the hereditary chemical DNA which varies greatly between individuals. This sequence occurs at intervals along the whole double-helix chain of the DNA molecule, and what varies is the number of times it is repeated at each point.

An analogy would be a faulty word processor that repeated a certain nonsense word a different number of times on each page. For example Jeffreys found that the number of repeats or "stutters" at one point ranged from 14 to more than 500 in different individuals.

Scientists do not yet know what purpose the Jeffreys sequence serves, if any. It seems to be an example of "junk DNA" – in contrast to the more familiar genes coding for the proteins which define the physical characteristics of each individual. But like other genes the Jeffreys sequence is present in every human cell, and it is passed on in a predictable way from one generation to the next.

These two characteristics make DNA fingerprinting an extremely powerful tool both for forensic identification and for discovering how closely two people are related.

Six months ago the new ICI subsidiary Cellmark Diagnostics opened a laboratory with a staff of 25 in Abingdon, Oxfordshire, to carry out DNA fingerprinting. Five thousand people have already registered for tests at a cost of £120 each. A second laboratory opened in October in Germantown, Maryland, for the American market.

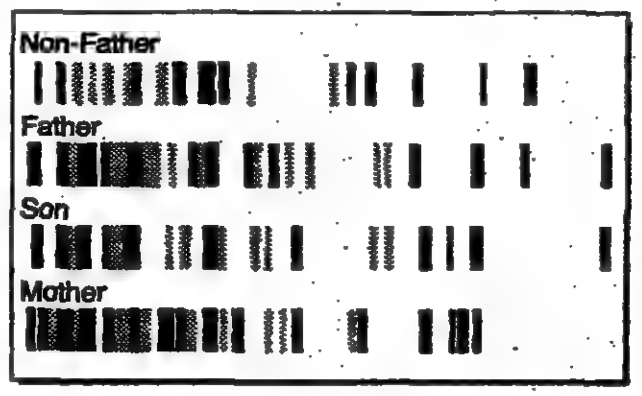
Cellmark takes about a week to generate a DNA fingerprint from a sample of tissue (normally blood) using an 11-stage procedure (see illustration). The essence of the technique is to cut up the DNA using a special enzyme which leaves the Jeffreys sequences intact, separate the fragments according to size, and detect them with radioactive DNA probes on photographic film.

The final result resembles a supermarket bar code. In a paternity case, every bar on the child's genetic fingerprint should match up either with the father's or with the mother's fingerprint. But occasionally random genetic mutations produce one or two different bars on the child's print, and in about one case in a hundred the mutations make it difficult to distinguish conclusively between a son/daughter and a nephew/niece. A more complicated genetic test is then necessary.

When DNA fingerprinting is used in a forensic investigation only a tiny sample is necessary. A single hair root or a blood stain as small as a letter on this page will do.

Leicestershire police gave Jeffreys his first opportunity to apply the technique on a large scale. He obtained DNA fingerprints from semen stains on the clothing of two 14-year-old girls, Lynda Mann and Dawn Ashworth, who had been raped and murdered. These showed that one man was responsible for both crimes.

The final result of DNA fingerprinting resembles a supermarket bar code. In paternity cases, every bar on the child's genetic fingerprint should match one in the "code" of either the father or mother.



The police's prime suspect was freed, because his DNA fingerprint did not match. Nor did those of two thousand men living in the area, who volunteered to give blood samples early this year. But a 27-year-old baker, Colin Pitchfork, has recently been charged with both murders, and another man has been charged with perverting the course of justice by pretending to be Pitchfork and giving a blood sample on his behalf.

Impersonation and fraudulent substitution of blood samples is also a potential problem in immigration cases. So the Home Office has introduced an elaborate procedure to prevent this happening. Blood samples are taken by approved doctors in the presence of an immigration official overseas and, together with photographs and documentation, are sent by the Diplomatic Bag to Cellmark Diagnostics.

Philip Webb, general manager of Cellmark, says immigration cases have provided most of his company's work so far. "We have had over a thousand clients on immigration matters." A typical family may require several tests, at a total cost of several hundred pounds.

Most immigrant organisations now favour DNA fingerprinting because it promises to help reunite families, though a few Asian leaders still feel that genetic testing is a racial insult. There is also concern that some men will be shocked to discover that a child they genuinely believed was their's had in fact been fathered by someone else – some cases of non-paternity are bound to result from infidelity by the wife rather than a deliberate attempt by the husband to mislead the immigration authorities.

The UK Government's attitude is that it is happy to accept DNA fingerprints as proof of paternity for fathers who want to bring their children from the Indian subcontinent to settle in Britain. But it is still deciding whether or not to make public funds available to help immigrants who cannot afford Cellmark's commercial rates.

That decision will be made early next year, on the basis of a detailed study of 40 families from Bangladesh and Pakistan, whose samples are undergoing both DNA fingerprinting and traditional blood grouping tests.

Doctors who carry out traditional blood tests argue that their progress over the last few years has been obscured by the recent publicity about DNA fingerprinting. They do not look directly at DNA but test for various blood proteins which are indirect genetic markers.

Dr Patrick Lincoln of the London Hospital Medical College speaks for the traditional testers when he says that their methods can settle the vast majority of paternity disputes conclusively, without resort to DNA fingerprints. Traditional tests will prove non-paternity in 97 to 99 per cent of cases where a man is wrongly named as the father. And they will show to a high degree of probability (at least 95 per cent) that he is the father in nine out of ten remaining cases.

Lincoln also points out that traditional blood tests for a family of four cost £158, compared to £480 for DNA fingerprinting.

But it seems likely that in the long term direct analysis of the genetic material itself – in other words some form of DNA fingerprinting – will turn out to be the best means of checking individual identity and family relationships.

At present Cellmark has no significant competition, because no one else has discovered such a variable region of DNA as the Jeffreys sequence. However, American companies such as the Lifecodes Corporation of New York are investigating alternative methods of genetic identification.

Designs on pocketing the cellular market

By Geoffrey Charlish

A HAND-HELD cellular radio-telephone which is hinged in the middle and folds to occupy a space little bigger than an inch-thick stack of credit cards has been designed by Supertron of London, a small British technology development company. The company hopes to interest cellular network operators and radio manufacturers.

Designer of the unit is Supertron's managing director Michael Rodrigues. He says that, in present cellular hand-held units, much of the battery capacity (and therefore battery volume and weight) is needed to power the stand-by or "sleeping" circuits that must remain on in order to detect an incoming call. Although the calls themselves take much more power, they usually last only a few minutes.

These "sleeping" circuits, claims Rodrigues, cannot be microminiaturised because of the 900MHz (megahertz) radio frequencies involved. Conventional electronic components have to be used, which at such ultra-high frequencies take up space and consume power.

Rodrigues' approach was to incorporate paging receiver circuits to "watch out" for notification (over the paging network) of incoming calls and only then switch on the cellular radio section.

Paging networks work at only 150MHz, allowing the pocket receivers to use tiny, low-powered microchips. The claimed "sleeping" battery life of the Supertron is 500 hours, as opposed to eight to 12 hours in conventional radios.

Furthermore, smaller batteries are used, giving a unit which, folded, can be comfortably kept in a shirt top pocket.

Rodrigues appreciates that co-operation is needed between the operators of cellular radio and paging networks to provide appropriate call signalling, but he believes this will be forthcoming in view of the size and battery life of the Supertron unit.

Supertron can be contacted in the UK on 01 998 6372.

Supertron's hinged cellular telephone folds to a size only little bigger than an inch-thick stack of credit cards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OIL. Wherever it is, we'll find it. Oil is the primary source of energy. It is the power that moves the world and will be so for many years to come.
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Agip, Italy's national oil company, took up this challenge sixty years ago, probing into the origins of the earth, experimenting with new techniques, and devoting to these activities human and economic resources that are always up to the difficulties to be overcome.
Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity.
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THE PROPERTY MARKET

BY WILLIAM COCHRANE

Windmill Hill property park, Swindon: business parks are in the vanguard of this year's industrial property success story which, across the board, has produced the highest returns of any type in the year to mid-1987

The year of the industrial property market

ON BLACK MONDAY (October 19), Malcolm King, joint senior partner of agents King & Co, was looking at a bull market in industrial property. "We have commitments to spend £1bn on shed investments in this firm alone," he said, observing that the investor had followed the occupier as a dissatisfied customer for sheds.

This week, he says that his bull market is intact, whatever the knock-on effect of the stock exchange crash on nervous fund management committees. "At least one major institution has gone on to the sidelines, and that may have taken £250m or so out of the market for the time being," he admits. "But there are still probably 20 or 30 buyers with between £40m and £50m each to spend in the industrial sector."

This was always going to be the year for the industrial property investment market. Agents Richard Ellis signposted the recovery at the turn of last year when they saw yields in 1987 coming back by at least a percentage point from the 8¾ per cent, prime, and 11.4 per cent average they achieved in 1986.

In the years before that, the traditional shed investment market had been first demolished by industrial recession and lack of occupational demand and, second, pre-empted between 1984 and 1986 by the "high tech" development boom which was conceived and mostly realised to the west of London.

In the same three-year period, residential and out-of-town retail development was absorbing the very land upon which industrial property could have been built, and that began to affect supply and demand by the end of 1986.

High tech was usually a euphemism for alternative, out-of-town, cheap and often shoddy, office accommodation; so when a true industrial recovery began to feature in UK economic performance, the market found itself short of the premises needed.

A problem for the occupier became a potential opportunity for the investor. Mr King says that investors can see a "window" – an investment opportunity of limited duration – in the present combination of high yield, prospective growth rates and the periodic jump in rent known as reversion, which happens when old leases come up for renewal in a buoyant market.

Ellis concur. At the end of October they produced an annual investment report which said that industrial property, across the board, produced the highest returns of any type in the year to mid-1987, with a total return in the sub-sector of 19.1 per cent. Since then, says research partner Iain Reid, the return has advanced to 25 per cent for the year to November and Ellis now forecast that it will climb to 28 per cent in the 12 months to next March.

The trick is not done with mirrors. It is the combination of three variables: an income return of, say, 10 per cent; this year's 10 per cent growth rate in the underlying rents; and the higher multiple of rents which funds are willing to pay to secure industrial property as an investment.

Stephen Hubbard, an investment partner at Ellis, says that prime industrial yields are now down to 7¾ per cent. "I think that they could go down further. In this environment, falling interest rates are going to make a high yield look very cheap." He forecasts that higher rents achieved on new lettings will filter through to existing stock, giving a further boost to performance.

Mr Hubbard emphasises that there is significant occupational demand for sheds, an organic recovery spiced by the low construction costs of traditional industrial property and unusually high land values – a combination which the major investing institutions traditionally value, since it brings the land value up to a high proportion of the total investment.

The high land values reflect the fact that rents in the hot spots of the Western Corridor – the M4 motorway around Reading and Newbury – have risen to between £6.50 and £7.00 a square foot for sheds whereas, previously, no one would have entered negotiations much above the £4.50 mark.

And what about high tech? Back in the spring, institutions which had previously climbed over each other to buy or build high tech had become very wary of investments in this hybrid at yields of between 6¾ and 7¾ per cent. "They do want good, brick-built, two to three-storey office look-alikes with good parking and all the trimmings," said Mr Hubbard at the time. "They are not interested in a tin shed called high tech any more."

Now he goes further. "I hope that the term will cease to exist. Nobody ever understood what it was supposed to describe, and now that we have a new Use Classes Order and a new B1 business class to accommodate modern industry, perhaps that will fill the gap."

The evidence is that the new business class is getting strong investment support. James Donald, a partner in agents Strutt & Parker, is involved in investment and the site purchase, concept and financing of business parks on behalf of Arlington Securities, the property company which pioneered the genre in Britain.

Mr Donald says that occupational demand is still ahead of investment demand but that he is having no trouble funding Arlington's developments with the best of institutional names – the IBM Pension Funds being one of them.

Most observers are also noticing a degree of geographical recovery. Malcolm King says that the industrial investment market is very slow outside the south-east, but that reversionary investment situations are certainly developing in places like Birmingham.

"In my view, the better spots in the Midlands, the north-east and the north-west will show a good return to the investors who care to explore them," he says, noting that there are already funds which will buy, "anywhere", if the investment is well secured and the yield is sufficiently attractive.

Ellis see special situations in the north. "Quite a lot of new town assets are being sold off in Lancashire," says Stephen Hubbard, "and they are getting a good reception. This is coming basically from the secondary investment market, and from owner-occupiers at yields of 11 to 12 per cent.

BUSINESS PARKS are coming into their own. In the past month, Galileo Distribution Systems, the inter-airline reservation partnership, has taken 240,000 sq ft at St Martins Property's Windmill Hill park near Swindon, and Digital Equipment, the international computer manufacturer, has said that it will invest £100m in a new UK headquarters at Speyhawk's Thames Valley Business Park on the eastern side of Reading. St Martins, the property arm of the Kuwaiti Investment Office, had some disappointments at Windmill Hill in the early 1980s, when the developer was more convinced of the concept than some potential tenants. But the rewriting of the Use Classes Order has set the official seal on the combination of industrial and office use in an out-of-town setting.

James Donald of Strutt & Parker says that it was a blow last year when IBM put a blanket ban on taking new space in the UK, following the US recession in electronics which hit Silicon Valley in 1985. Against that, however, Digital Equipment, has taken 112,000 sq ft from S & P at Basingstoke, 166,000 sq ft plus 30 acres of land at Arlington's Solent Park on the M27 between Portsmouth and Southampton.

Now Silicon Valley is improving, too. S & P, says Mr Donald, has just leased a 50,000 sq ft building on the Moffet Park in Sunnyvale, California to Lockheed; and it has agreed terms to lease another of the same size to a major US defence contractor.

This advertisement appears as a matter of record only.

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Further details available on request to named principals or their agents.

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Tel: 021 200 3111.

Commercial Property In

WEST END & VICTORIA

The Financial Times proposes to publish the above survey on Friday 26th February 1988.

For further information and Editorial Synopsis please call Joe Bell on 01 248 0769.

-FINANCIAL TIMES-
-Europe's Business Newspaper-

Legal Notices

IN THE HIGH COURT OF JUSTICE
No 008948 of 1987
CHANCERY DIVISION
IN THE MATTER OF GOTA SECURITIES LIMITED
-AND-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 27th November 1987 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the capital of the above-named Company from £9,000,000 to £5,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Peter Gibson at the Royal Courts of Justice, Strand, London, WC2 on Monday the 21st December 1987.

Any creditor or shareholder of the said Reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED the 8th day of December 1987
Slaughter & May. (Ref: RLH).
32, Basinghall Street, London, EC2V 5DB.
Solicitors for the Company

Company Notices

De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Registration No 11/00007/06

NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 157

With reference to the notice of declaration of dividend advertised in the Press on 26th November, 1987, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 6.556 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 93.444 cents per share.

The dividend on bearer shares will be paid on or after 2nd February, 1988 against surrender of coupon No. 157 detached from share warrants to bearer as under:–

(a) At the offices of the following continental paying agents:

L'Européenne de Banque 21 rue Laffitte 75428 Paris	Banque Bruxelles Lambert 24 Avenue Marnix 1050 Brussels	Generale de Banque 3 Montagne du Parc 1000 Brussels
Credit Suisse Paradeplatz 8 8021 Zurich	Union Bank of Switzerland Bahnhofstrasse 45 8021 Zurich	Swiss Bank Corporation 1 Aeschenvorstadt 4002 Basle

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 29th January, 1988, at the United Kingdom currency equivalent of the rand currency value of their dividend on 21st December, 1987; or

(ii) in respect of coupons lodged after 29th January, 1988, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 73 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident shareholders' tax at 6.556%	6.556
	93.444
Less: U.K. income tax at 20.444% of the gross amount of the dividend of 100 cents	20.444
	73.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries, J. C. Greensmith

London Office:
40 Holborn Viaduct, London EC1P 1AJ

10th December, 1987

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 20.444% instead of the basic rate of 27% represents an allowance of credit at the rate of 6.556%.

De Beers
De Beers Consolidated Mines Limited

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN
MAKITA ELECTRIC WORKS, LTD.

Further to our notice of August 12, 1987 EDR holders are informed that Makita Electric has paid a dividend to holders of record August 20, 1987. The cash dividend payable is Yen 9 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 16 for payment to the undermentioned agents. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after March 31, 1988.

Amounts payable in respect of current dividends.

Coupon No. 16 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
10,000 shares	$674.15	$573.03	$539.32
1,000 shares	$ 67.41	$ 57.30	$ 53.92

Depositary:
Citibank, N.A.
336 Strand, London, WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Therese

December 11, 1987

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AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/02154/06

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER
PAYMENT OF COUPON No. 80

With reference to the declaration of dividend announced on 2nd December, 1987, the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons leaving a net dividend of 2.55 cents per unit of stock.

The dividend on bearer stock will be paid on or after 15th February, 1988 against surrender of coupon No. 80 detached from the stock warrants to bearer as under:

(a) At the office of the following continental paying agent:
Credit du Nord
6-8 Boulevard Haussmann
75009 Paris

In respect of coupons lodged at the office of the continental paying agent the dividend payment will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made must be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) In respect of coupons lodged on or prior to 5th February, 1988 at the United Kingdom currency equivalent of the rand currency value of their dividend on 21st December, 1987, or

(ii) In respect of coupons lodged after 5th February, 1988 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 2.19 cents per unit of stock in terms of sub-paragraph (b) above arrived at as follows:

	South African Currency Cents per Unit of Stock
Amount of dividend declared	3.00
Less: South African Non-Resident shareholders' tax at 15%	0.45
	2.55
Less: U.K. income tax at 12% of the gross amount of the dividend of 3 cents	0.36
	2.19

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ
10th December 1987

aac

Note:
The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 12% instead of at the basic rate of 27% represents an allowance of credit at the rate of 15%.

GOLD FIELDS
OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
(Registration No. 05/04181/06)

CONVERTIBLE REDEEMABLE CUMULATIVE PREFERENCE SHARES

DECLARATION OF DIVIDEND

Dividend No. 7 of 145 cents per preference share for the six months ending 31 December 1987, has today been declared in South African currency, payable to preference shareholders registered in the books of the company at the close of business on 24 December 1987.

Warrants dated 3 February 1988 will be posted to preference shareholders on or about 2 February 1988.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United *Kingdom register must be received by the company on or before 24 December 1987 in* accordance with the above mentioned conditions.

The register of members of the company will be closed from 26 December to 1 January 1988, inclusive.

By order of the Board,
per pro *CONSOLIDATED GOLD FIELDS PLC,*
London Secretaries,
Mrs. G.M.A. Gledhill, Secretary.

United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London, SW1P 1PL.

London Office:
31 Charles II Street,
St. James's Square,
London, SW1Y 4AG.
10 December 1987

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
(Formerly The Clydesdale (Transvaal) Collieries Limited)
(Registration No. 01/01124/06)

DECLARATION OF DIVIDEND

Final dividend No. 149 of 50 cents per share has today been declared in South African currency, payable to shareholders registered in the books of the company at the close of business on 24 December 1987.

Warrants dated 10 February 1988 will be posted to shareholders on or about 9 February 1988.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 24 December 1987 in accordance with the above mentioned conditions.

The register of members of the company will be closed from 26 December to 1 January 1988, inclusive.

By order of the Board,
per pro CONSOLIDATED GOLD FIELDS PLC,
London Secretaries.
Mrs. G.M.A. Gledhill, Secretary.

United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London, SW1P 1PL.

London Office:
31 Charles II Street,
St. James's Square,
London, SW1Y 4AG.
10 December 1987

TRANS-NATAL COAL CORPORATION LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 63/01000/06
PAYMENT OF INTEREST - CLOSING OF REGISTERS
12.7 PER CENT UNSECURED SUBORDINATED
COMPULSORILY CONVERTIBLE DEBENTURES

NOTICE IS HEREBY GIVEN that interest for the period ending 31 December 1987 will be payable to holders of the above mentioned debentures registered in the books of the company at the close of business on 31 December 1987.

The registers of debenture holders will be closed from 1 January 1988 to 15 January 1988, both days inclusive.

Interest will be payable in the currency of the Republic of South Africa.

Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 11 January 1988 or the first day thereafter on which a rate of exchange is obtainable.

Non-resident shareholders' tax of 10 per cent will be deducted from the interest payable to debenture holders whose registered addresses are outside the Republic of South Africa.

The interest cheques dated 29 February 1988 will be posted on 22 February 1988.

By order of the board
Per pro. GENCOR (U.K.) LIMITED
London Secretaries
L.J. Baines

London Transfer Secretaries
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

30 Ely Place
London EC1N 6UA
11 December 1987

ARAB BANKING CORPORATION
(B.S.C.)
USD 150.000.000
FLOATING RATE NOTES DUE 2000

For the six months, December 8, 1987 to June 7, 1988, the rate of interest has been fixed at 7 7/8% P.A.

The interest due on June 8, 1988 against coupon nr 6 will be $US 400.31 and has been computed on the actual number of days elapsed (183) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

REMY FINANCE B.Y.
FRF 300.000.000
GUARANTEED FLOATING RATE NOTES DUE 1993

For the three months, December 4, 1987 to March 3, 1988, the rate of interest has been fixed at 8 3/4% P.A.

The interest due on March 4, 1988 against coupon nr 5 will be FRF 221,18 and has been computed on the actual number of days elapsed (91) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Legal Notices

LIMECOURT TRADING LIMITED

JOHN FREDERICK POWELL and CHRISTOPHER JOHN HUGHES, of Cork Gully, 43 Temple Row, Birmingham, B2 5JT were appointed administrative receivers of LIMECOURT TRADING LIMITED (Registered No) 1908812 by Midland Bank Plc on 1 December 1987.

IN THE HIGH COURT OF JUSTICE
No. 006967 of 1987
CHANCERY DIVISION
INCHCAPE INSURANCE HOLDINGS PLC
IN THE MATTER OF:
AND IN THE MATTER OF:
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 30th November 1987 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Peter Gibson at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 21st December 1987.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned Solicitors on payment of the regulated charge for the same.

DATED the 9th day of December 1987
Slaughter & May, 35 Basinghall Street, London, EC2V 5DB.
Ref: TGF/LJT/PWN/RLH/KDXG
Solicitors for the said Company

Public Notices

The Italian Manufacturers
VIVALDI & C.S r.l.
1-38068 ROVERETO (TRENTO)
VIA UNIONE 68 ITALY
OWE DEBT TO BRITISH BUSINESS

Despite assistance from the British Consulate General and the British Chamber of Commerce this debt still remains unpaid. Potential & Intending Business would be advised to ensure payment from this company before commencing business.

Signed. Asset Woodworking Machines and Equipment. Gloucestershire.

ARTS

Arts Week

F | S | Su | M | Tu | W | Th
11 | 12 | 13 | 14 | 15 | 16 | 17

Music

LONDON

Royal Philharmonic Orchestra conducted by Andre Previn with Jon Kimura Parker, piano. Copland, Rachmaninov and Vaughan Williams. Royal Festival Hall (Mon). (928 3191).

English Chamber Orchestra conducted by Jeffrey Tate with Nigel Kennedy, violin. Schoenberg, Bruch and Mozart. Queen Elizabeth Hall (Mon). (928 3191).

Alfred Brendel, piano. Schubert. Royal Festival Hall (Tue).

Orchestra of St. John's Smith Square conducted by John Lubbock with Alison Hargan, soprano and Richard Todd, horn. Strauss. Queen Elizabeth Hall (Tue).

Messiah conducted by Harry Christophers with Gillian Fisher, soprano, David James, counter-tenor, Ian Partridge, tenor and Michael George, baritone. St. John's Smith Square (Tue and Wed). (222 1061).

London Philharonic orchestra and choir conducted by Kurt Masur with Edith Wiens, soprano. Kodaly and Grieg. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra and London Choral Society with choristers of Southwark Cathedral conducted by Philip Ledger and Harry Bramma with Stephen Roberts, baritone. Rossini, Corelli, Rimsky-Korsakov and Honegger. Royal Festival Hall (Thur).

TOKYO

Barbara Hendricks (soprano). Brahms, Faure, Strauss. Tokyo Bunka Kaikan. (Mon).(572 4311).

Tokyo City Philharmonic Orchestra, conducted by Yoshikazu Fukumura. Concert "exploring the future in music through electronic musical instruments and orchestra". Suntory Hall (Mon). (546 2451).

Tokyo Symphony Orchestra, conductor Hiroshi Kumagai, with Hiroshi Tajika (piano). All-Beethoven program. NHK Hall (Wed). (466 6115).

NHK Symphony Orchestra, conducted by Berislaw Klobucar. Wagner, Liszt. NHK Hall (Wed, Thur). (465 1780).

Japan Philharmonic Symphony Orchestra, conducted by Libor Pesek, with Shizuka Ishikawa (violin). Schubert, Debussy, Bruch. Tokyo Bunka Kaikan (Wed). (234 5911).

Vladimir Ashkenazy (piano), New Japan Philharmonic Orchestra. Beethoven, Rachmaninov. Suntory Hall (Thur). (403 3011).

Tokyo Philharmonic Orchestra. Verdi Requiem. Tokyo Bunka Kaikan. (Thur). (256 9696).

PARIS

Margaret Price, soprano recital, (Mon). Theatre des Champs Elysees. (47 20 36 37).

Orchestre Colonne, conducted by Philippe Entremont, Jean-Pierre Rampal, flute: Mozart, Poulenc, Brahms. Salle Pleyel (Mon). (45 63 07 96).

Aldo Ciccolini, piano: Liszt's poetic and religious harmonies. Salle Gaveau (Tue). (45 63 20 30).

A Sei Voci and Ludi Musici brass ensembles: Henri IV's Royal Funeral Music and Eustache du Caurroy Requiem Saint-Germain l'Auxerrois Church (Tue). (42 77 19 90).

Nouvel Orchestre Philharmonique conducted by Zoltan Pesko with the Radio France Choir: Kodaly, Bartok. Salle Pleyel (Tue). (45 63 07 96).

Orchestre de Paris conducted by Christoph von Dohnanyi, Raphael Oleg, violin: Mussorgsky, Sibelius, Tchaikovsky. Salle Pleyel (Wed, Thur 8.30pm). (45 63 07 96).

Budapest Symphony Orchestra: Richard Strauss - Viennese Waltzes Salle Pleyel (Wed, Thur 2.30pm). (45 63 07 96).

Groupe Vocal de France: Campana, Pablo, Tosi, Ligeti Auditorium des Halles (Thur). (43 87 95 80).

Bernard Thomas Chamber Orchestra and the Franco-German Paris Choir: Vivaldi, Puccini, Cherubini Saint-Germain-des Pres Church (Thur). (42 77 19 90).

ITALY

Milan, Chiesa di S. Allessandro, organ and orchestra. Ton Koopman plays and conducts Handel, Mozart and Haydn. (Mon). (805 28 41).

Milan, Teatro alla Scala. Maurizio Pollini, piano (Mon). (80 91 26).

Rome, Auditorium in Via della Conciliazione. Mstislav Rostropovich conducting Beethoven and Tchaikovsky (Mon and Tue). (654 10 44).

Rome, Oratorio del Gonfalone (via del Gonfalone 32/A). The Gonfalone Chamber Orchestra with violinist Giuliano Carmignola playing Vivaldi and Bach (Thur). (687 59 52)

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Henry Lewis, with Zara Nelsova, cello: Dvorak, Sibelius (Mon). Semyon Bychkov conducting the Concertgebouw Orchestra, with Katya and Marielle Labeque, pianos: Grieg, Mendelssohn, Strauss (Wed, Thur). Recital Hall: Schubert vocal series (Tue). The Prazak Quartet: Brahms, Beethoven (Wed). Anner Bijlsma, cello, and Stanley Hoogland, fortepiano: Beethoven (Thur). (71 83 45)

Utrecht, Vredenburg. Koyaanisqatsi performed by the Philip Glass Ensemble (Mon). Lev Markiz conducting the Netherlands Philharmonic chamber ensemble, with Oleg Maisenberg, piano, and Hakan Hardenberger, trumpet: Keuris, Beethoven, Haydn, Schubert (Tue). The Netherlands Philharmonic conducted by Henry Lewis, with Zara Nelsova, cello: Barber, Dvorak, Sibelius (Wed). Recital Hall: The Tears of Peter and Paul, a 17th-century chamber opera by Padbrue with libretto by Joost van den Vondel, reconstructed by Bob van Asperen (Mon). Hannes Wader in the series Das Lied vom kleinen Mann (Tue). The New Ensemble conducted by Ed Spanjaard, with Jard van Nes, mezzo: Boulez (Thur). (31 45 44)

The Hague, Philipszaal. Lev Markiz conducting the Netherlands Philharmonic chamber ensemble, with Oleg Maisenberg, piano, and Hakan Hardenberger, trumpet: Keuris, Shostakovich, Haydn, Schubert (Mon). (60 98 10).

Rotterdam: Doelen. Recital Hall: The Netherlands Chamber Choir under Gustav Leonhardt, with Bob van Asperen, harpsichord: Sweelinck, Huygens, Verrijt, Hollander, Monteverdi (Thur). (413 24 90).

Haarlem: Concertgebouw. Lev Markiz conducting the Netherlands Philharmonic chamber ensemble, with Oleg Maisenberg, piano, and Hakan Hardenberger, trumpet: Keuris, Beethoven, Haydn, Schubert (Thur). (32 09 94).

Nijmegen, Vereniging. Anner Bijlsma, cello, and Stanley Hooglands, forteplano: Beethoven (Tue). The Academy of St Martin in the Fields under concertmaster Iona Brown: Bach, Corelli, Mozart, Elgar, Janacek (Thur). (22 11 00).

Groningen: Lutherse Kerk. The King's Consort with James Bowman, counter-tenor: Telemann, Bach, Vivaldi, Pergolesi. (Thur). (030 34 09 21). Oosterpoort. The Schoenberg Ensemble: Prokofiev, Janacek, Schoenberg (Thur). (13 10 44).

Zwolle, Odeon. The King's Consort with James Bowman, counter-tenor: Telemann, Bach, Vivaldi, Pergolesi (Wed). (21 85 00).

NEW YORK

Juilliard Concerts. Marsha Long organ recital: renaissance, baroque and Christmas music (Wed, 12.30); Zoe Hwang soprano: Bach, Mozart, Schumann, Ravel (Thur 12.30). Free, IBM Gallery at 56th and Madison.

I Cantori di New York, Bart Folse conducting. James D Wagoner, Finzi, Buxtehude (Mon). **American Brass Quintet:** Coperario, Holborne, Maurer, Ingolf Dahl (Wed). **Lydian String Quartet.** Beethoven, Haydn, Steve Mackey (Thur). Merkin Hall (Goodman House) at 67th w. of Broadway (362 8719).

Chamber Music at the Y. Jaime Laredo, artistic director. Bach, Handel, Bach (Tue). **Ilan Rechtman** piano recital. Bach, Beethoven, Rechtman, Liszt (Thur). Kaufmann Hall at 1395 Lexington Av (831 8603).

Musica Sacra, Richard Westenburg, director, Nancy Argenta, soprano, Neil Rosenshein, Michael Chance, counter-tenor. Handel (Mon). Lincoln Center (Avery Fisher Hall) (874 2424).

New York Philharmonic, Leonard Slatkin conducting, Barbara Nissman, piano: Fine, Ginastera, Rachmaninoff (Tue). Lincoln Center (Avery Fisher Hall) (874 2424).

WASHINGTON

National Symphony, Robert Shafer conducting with the Oratorio Society of Washington. Handel (Thur). Kennedy Center (Concert Hall) (254 3776).

CHICAGO

Chicago Symphony, Neme Jarvi conducting. Samuel Magad, violin: Glazounov, Shostakovich, Prokofiev (Thur). (Orchestra Hall) (435 8111)

Theatre

LONDON

The Rover (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, **Sarcophagus,** an urgent but clumsily crafted hospital drama. (236 5568/638 8891).

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. (928 2252)

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasizing the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. (839 2244, CC379 6131/240 7200).

The Balcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. (628 8795).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Melon (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. (930 9832).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

AMSTERDAM

The Woolgatherer (Garden hotel theatre). Lord Greystoke Productions presents a modern comedy by William Mastrosimone directed by John Hartnett. (64 21 21).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation. New bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

The Mahabharata (BAM Majestic). Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to accommodate it for a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends Jan 3 (947 5850).

WASHINGTON

Light up the Sky (Arena). The revival of the Moss Hart comedy features theatre people waiting for the opening-night notices of their latest masterpiece. (488 3300)

TOKYO

Macbeth. Every so often, a Shakespeare production is staged that makes one revise one's view of the play. That such a rethinking should be occasioned by a production in Japanese is nothing short of miraculous. Not only has Yukio Ninagawa transposed the play from medieval Scotland into the world of the Japanese samurai, but he has brought to it an oriental sensitivity and sense of pictorial values that transcends all language barriers. With its blood red sun and falling cherry blossoms, this is indeed one of the most achingly beautiful theatrical experiences of our time. Following its triumph at the National Theatre, London, this revival in Tokyo is an unforgettable experience. Imperial Theatre (Ends Dec 28). (201 7777)

Kabuki (Kabuki-za). At 4pm a "new" play incorporating elements from existing dramas and based on the story of the 47 loyal retainers adapted, directed by and starring Kabuki's greatest showman, Ennosuke, a specialist in spectacular stunts and quick-change routines. Excellent English earphone commentary. Ends Dec 25 (541 3131).

Bunraku (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance. Their presence is soon forgotten, however, as the narrator at the side of the stage unfolds the story to the accompaniment of the shamisen, a stringed instrument. Earphone commentary in English. (265 7411). Ends Dec 20.

Exhibitions

LONDON

Tate Gallery. Turner in the new Clore Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Petit Palais, Ave Winston Churchill; **Musee d'Art Moderne de la Ville de Paris,** Ave President Wilson. Five Centuries of Spanish Art. An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. The two most important exhibitions are El Greco To Picasso at the Petit Palais and Picasso's Century at the Musee d'Art Moderne. Both exhibitions are closed on Mondays and both end on Jan 3.

Grand Palais. The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". Ends Jan 4.

Musee des Arts Decoratifs. A King's Table: some 400 pieces of 18th century silversmith's work from the court of Denmark conjure up the glitter and magnificence of the Service a la Francaise. 107 Rue de Rivoli (42603214). Closed Mon and Tue. Ends Jan 3.

Picasso's Drawings. Coinciding with the publication of a catalogue of Picasso's drawings belonging to the Paris Museum, an exhibition of 136 drawings retraces the panorama of the artist's creation. There is his early work of academic perfection confronted with daring shortcuts preparing cubism. Musee Picasso (427 12521). Closed Tue. Ends Jan 4.

Centre Georges Pompidou. Lucian Freud chose the 83 paintings for his first retrospective outside England. Apart from a portrait of Francis Bacon and a series of portraits of his first wife, the exhibition is dominated by his figurative nude portraits of the last 20 years. Closed Tue. Ends Jan 24 (427 71233).

WEST GERMANY

Munich, Staatsgalerie Moderner Kunst shows sculpture from East Germany. A result of the cultural agreement of May 1986 between East and West Germany, this exhibition covers four decades in 130 sculptures, some larger than life, and about 60 paintings of sculptures by 51 artists. It offers a view of graphic works that have not even been seen in East Germany before. Ends Jan 3. Mannheim Stadtische Kunsthalle from Jan 23 to Feb 21.

Munich, Kunsthalle der Hypo-Kulturstiftung, Theatinerstr. 15: Rene Magritte 1898-1967. This is the first extensive retrospective of the Belgian surrealist shown in Germany. Ends Feb 14.

ITALY

Rome: Villa Medici (French Academy). Picasso - the last years (1963-1973). The French Academy, proprietorial as ever towards the greatest of modern artists, has mounted a riveting exhibition of etchings, drawings and oils mostly from the last five years of Picasso's life. Having practically never been ill, Picasso had to undergo a serious operation towards the end of 1965 (aged 84). During the following year of convalescence, it seems that he brooded, not only about his health but about having lost his verve and creativity. He need not have worried. The exhibtion is so full of energy, invention and surprise as to be exhausting. Ends Jan 12.

Milan, Palazzo Reale. Eighteenth Century Italian landscapes from private collections organised by the equivalent of the British National Trust, the Fondo Ambiente Italiano. Ends Jan 17.

NETHERLANDS

Amsterdam, Van Gogh Museum. The complete graphic work of Toulouse-Lautrec. Ends Jan 17.

Amsterdam, Art Institute. 48 key Impressionist and Post-Impressionist works from the Courtauld collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam, Rijksmuseum Printroom. As a pendant to the survey of landscape painting in the main galleries, the printroom is showing a fine selection of 100 17th century drawings devoted to the theme of Land and Water. Ends Jan 3.

Amsterdam Historical Museum. Contemporary photographs, utensils, menus and registers chart the rise and heyday of Amsterdam's grand hotels from 1860 to 1914. Ends Jan 17.

Amsterdam Rijksmuseum. A sweeping view of 17th-century Dutch landscape painting, with more than 100 works by over 50 artists tracing the development of the genre and its offshoots from the dense creations of Vinckboons and Savery via the chilly winters of Avercamp, the tranquility of Ruysdael, the golden light of Cuyp, the towering cloudscapes of Ruisdael, to the wooded scenes of Hobbema. Ends Jan 3.

Leiden, Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagination and knowledge. Ends Jan 17.

MADRID

Fundacion Juan March. Mark Rothko 1903-1970 includes 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum. 300 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art. Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

Jan Krugier Gallery. This new gallery is inaugurated with 60 Cubist works by Picasso from the Marina Picasso Collection with two decades of paintings, drawings, sketchbooks, collages and prints from 1907 to 1926. Ends Dec 10. 41 E 57th, 6th floor.

WASHINGTON

National Gallery. A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

Azabu Museum. Edo Pastimes: this exhibition of screens, scrolls and paintings with works by courtesans in the old Yoshiwara Pleasure Quarters of Edo (now Tokyo) evokes the colourful and lively leisure pursuits of an era when the Japanese were not obsesses with work. Ends Dec 25. Closed Mondays.

100 News Scenic Spots in Tokyo. A modern version of the series of woodblock prints by Hiroshigo. The spots were selected by popular vote among Tokyo's citizens and the metropolitan government then commissioned leading artists to depict them in oils or watercolour. The quality of the work is uneven but the exhibition offers a fascinating insight into what the Japanese consider picturesque. Worth seeing also for the Teien Museum itself, a former private residence with a lovely garden and one of the world's finest art deco interiors. It is rarely crowded either. Tokyo Metropolitan Teien Art Museum near Meguro. Ends Dec 22.

Manga-Art. Japanese manga (comic books) are read avidly by children and adults and there are those who make claims for them as an art form. Certainly the best manga artists are skilled designers and storytellers in visual form. This exhibition features drafts by 15 young artists, focusing on manga that poke fun at news events. Gallery Sanshindo, Ginza. Ends Dec 20.

Continued on page 25

Cinema/Nigel Andrews

Huston's daughter breathes life into 'The Dead'

The Dead directed by John Huston
Spaceballs directed by Mel Brooks
Little Dorrit directed by Christine Edzard
Dancers directed by Herbert Ross

The poetry of fateful coincidence decreed that the last film John Huston made before he died was *The Dead*. At the Venice Film Festival this coincidence was too much for some. They sat moist-eyed and rapt during this 78-minute last testament, culled from the great James Joyce story about lives and souls interweaving in turn-of-century Dublin: and then they came *out* in a state of walking collapse, hoarsely crying "Masterpiece!"

Masterpiece be blowed. And I would not be so rude to the dead, nor to *The Dead*, if I believed Huston would have responded any differently to overpraise. The old codger would have raised a snowy eyebrow, dimpled his leathery cheeks and pronounced a short, possibly colourful, term of dismissal.

The Dead is a hit-and-miss chamber-movie, shot in sack-cloth browns and for much of its time reverentially stagey. A mostly Irish cast (including Donal McCann, Donal Donnelly, Maire Kean and Dan O'Herlihy) traverse Joyce's tragic-funny tale of lost dreams, missed love and memories swapped across the supper table. The extended family gathered on a snow-mantled New Year's Eve in Dublin, 1904, boasts a wastrel son, a pair of elegaic old biddies, a timid piano virtuosa, a whiskery uncle and a married couple or two – including the pair (Donal McCann and Anjelica Huston) who finally seize and occupy the story's tragic heart, discovering in the evening's aftermath the lovelessness of their own marriage.

Even in these two characters the film's unevenness is manifest. Miss Huston (Oscar-honoured for *Prizzi's Honour*) is a marvel. She carries her father's torch in a performance of wonderful mischief and magic, of quirky range and sad Celtic passion. If this piece of acting were a piece of music, it would be marked "maestoso." It would also be marked masterpiece.

McCann, by contrast, is a lump: a dull Irish potato mildly reddened, but not enough, by wine and festivity. Some degree of passivity is appropriate to a character who discovers, too late, his deficient heart. But McCann more resembles someone who discovers, too late, that he is supposed to have been carrying the emotional weight of a movie. *The final* scene of pared marital souls naked to the snows of eternity - Huston's own voice reads Joyce's ringing coda over *motionless winter landscapes* - builds to too little because it builds *from* too little.

The film soars most when Huston's large cast celebrate not the disenchantments of middle age but the defiant exuberances of old age. Maire Keen lisps lilting wisdom from her pinched apple cheeks: Dan O'Herlihy rumbles like a whited sepulchre shaken by gusts of life: and blithe stories of great opera tenors are batted to and fro over the steaming roast goose. Best of all, and tear-movingly, a little old aunt trills out a party-piece Bellini aria ("Arrayed for the bridal") in a voice like silvery change hurtling from a too-long-idle fruit-machine.

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Huston, in a last interview, described *The Dead* as "Lace-work rather than on a broad loom." If you spent 60 years, you would not find any lace-work in Mel Brooks's *Spaceballs*. It more resembles someone trying to embroider a feature-length movie comedy with unlimited and unwieldy yards of Potty Putty.

Star Wars and its like are Mel's parodic target this time. And for the opening ten minutes he hits it with encouraging regularity. We begin with a written "crawl" which *maunders on* Lucas-style about "galaxies far, far away" and then ends its screed with "If you can read this, you don't need glasses." A few seconds later, a long-bodied space-ship in the encrusted-grey-baroque style favoured today starts passing the camera, its hilariously interminable progress alleviated only by the familiar bumps and grinds of sci-fi-style music.

This all looks – for critics at least – like sweet revenge for long hours spent Lucas-ing around the cosmos in company with cute princesses, yuppie robots and animated vacuum-cleaners. But joy does not continue to abound. Brooks soon runs out of inspiration, and even ideas that ought to work (Joan Rivers as a female C3PO, a mountainous ogre called Pizza the Hutt, Brooks himself as a Yoda lookalike) are fumbled like a baseballs in a well-buttered mitt.

Sagging attention is briefly reawakened midway by an *Alien* skit: a mini-monster bursts from guest star John Hurt's stomach in a diner and then does a top-hatted song-and-dance on the counter. But once past this gem, you can safely turn the light off in your intelligence and go into hypersleep.

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Would there were better pre-Christmas news with *Little Dorrit*. The husband-wife team of producer Richard Goodwin (of the Agatha Christie films) and director Christine Edzard (of *Tales From Beatrix Potter* and *Biddy*) have had the bright idea of turning Dickens's blockbusting novel into a 6-hour two-part movie. Unfortunately they have failed to plug the bright idea into a mains-socket connected to the imagination. Or so I judge from the 3-hour part 1, an experience so excruciating that wild Dickensian orphans would not drag me back into a cinema for Part 2.

The viewer sits aghast as a starry cast – Alec Guinness, Joan Greenwood, Max Wall, Eleanor Bron, Robert Morley, many more – drift through a film which has no apparent idea of where it is going or why. Dialogue is delivered either lifelessly or with flailing imprecision. Wit is on a power-cut. And the sets and lighting have to be seen to be pitied. The same bits of paint-and-canvas wall seem to double up, or treble up, in different streets and houses. And the only way you can tell if it is morning, afternoon or early evening, is if the uniformly flat lighting (most of the film is studio-shot) gives a token twitch of dimness, brightness or colour. By contrast, you can tell if it is night by the fact that you can scarcely see anything at all. (Eat a carrot beforehand.)

One concludes that the film tried to make back by technical economies what it boldly – and for the most part vainly – overspent on the cast. The only actor to justify such spending, in the three hours I saw, is Derek Jacobi. Lumbered with the thankless role of Arthur Clennam, Dickens's ageing juvenile lead, he puts all his imaginative muscle and expressive rubato into the part. He creates a seam of gold in a movie that is elsewhere sadly un-alchemised, a ten-ton block of cinematic lead.

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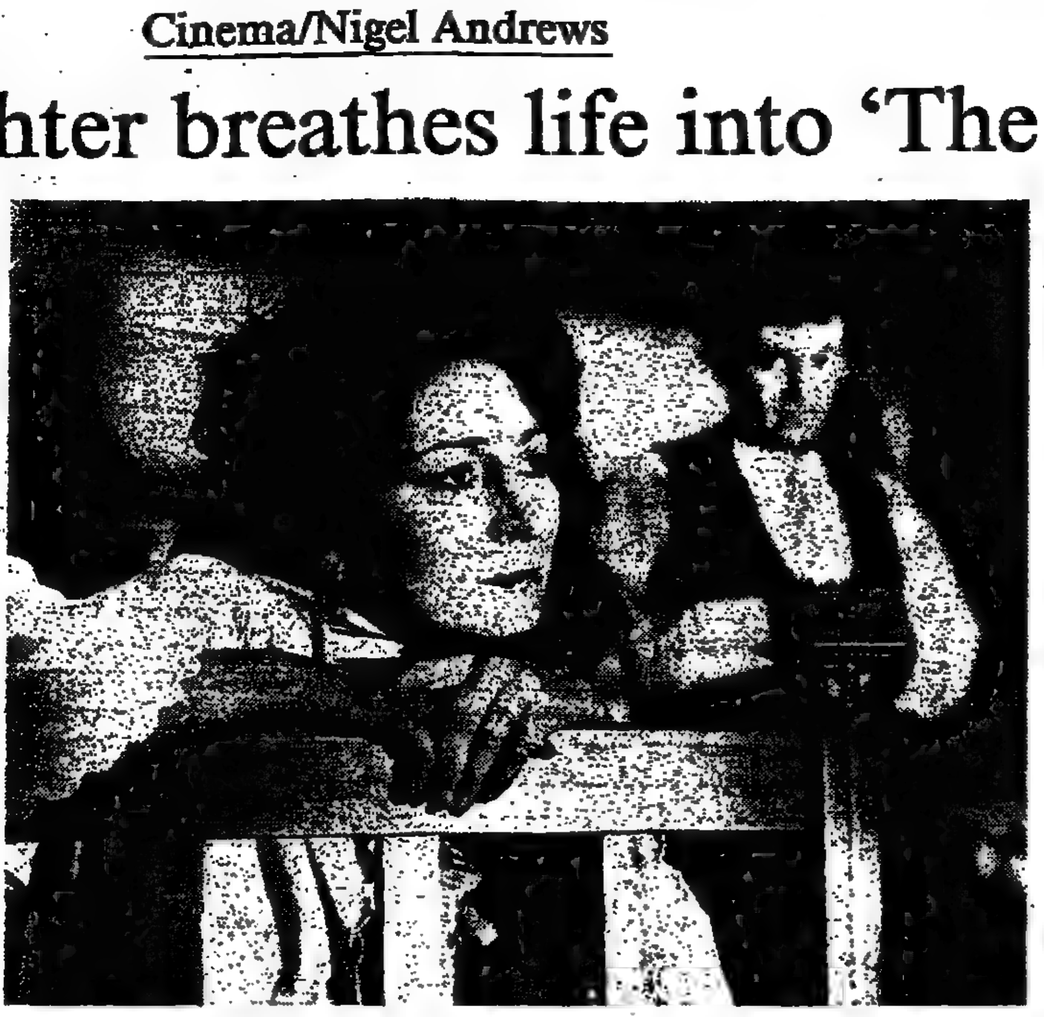
Dancers is no better, but at least it is shorter. And funnier. Sarah Kernochan wrote and Herbert (*Nijinsky*) Ross directed this earnestly impassioned ballet hokum, in which Mikhail Baryshnikov is the ageing dancer-choreographer about to hang up his leotards. Will his last appearance, in his own staging of *Giselle* somewhere in Italy, be memorable?

You betcha. Just as in the ballet, our rakish hero's cast-off loves come back to haunt him on performance-day and he learns the truth about his own cynical Don Juanism. Can he reform himself? Will he ignore the cooings of adoring nymphet Julie Kent ("You're the greatest person I've ever stood close to") and learn from the reproofs of older flame Lesley Browne ("All the years have gone by and you haven't got mature somehow"). In short, it is *perestroika* on points: daft, but well-danced and sometimes entertaining.



Angelica Huston and Donal McCann in "The Dead"

Rihm's Oedipus/Berlin

Andrew Clark

Wolfgang Rihm has had two new operas premiered in the past eight months, an indication of his prolific creativity and popularity in the major West German houses. *Hamlet-Machine* was first seen in Mannheim in May. Now comes *Oedipus*, a 90-minute one-act work described simply as "music theatre" and commissioned Gotz Friedrich on behalf of the Deutsche Oper in West Berlin. Friedrich himself had provided a powerful staging, drawing on the best of his company's casting resources and using a geometrical stage design by Andreas Reinhardt. The work comes over as a bleak intellectual parable about self-discovery along the path of life.

Rihm draws on three literary sources: Holderlin's German version of Sophocles, a fragment of Nietzsche and the 43 lines of Heiner Muller's Oedipus commentary of 1966. This classical-to-contemporary spectrum is picked up coherently in Friedrich's staging, which strives in masterful style to overcome the inherent lack of action and dramatic contrast. The work is of an unrelenting, uncompromising severity, and the raw directness of its musical language suggests a step back from any of Rihm's previous Romantic leanings.

The music begins offstage with a wordless women's chorus, and *makes considerable use of taped* voices. The male voices are grouped at the side of the stage like a Greek chorus. The soloists' music is predominantly *Sprechgesang* and high-pitched arioso. The orchestra is of chamber proportions, with a piano, a small string section, wind and a vast percussion palette, which keeps six players busy throughout. The percussion takes on an increasingly dominant role, with a series of very loud, unpredictable outbursts, conjuring sound pictures that reminded me of the violent expressionism of Penderecki, only less crude and more economical.

Several musico-dramatic strokes stay in the memory, among them a highly-animated woodwind interlude in which Oedipus' slaying of his father is recalled in mime. But most potent of all is the moment where Oedipus stabs his own eyes, and the musical depiction of his blindness in the poignant, directionless interweaving lines of two violins. Rihm certainly knows how to hold his audience.

But in spite of these and other signs of skilled musical calculation, I cannot say I enjoyed, liked or even admired *Oedipus*. It seemed to me to be too much of a philosophical-psychological treatise, cold and emotionless, and expressed with a bluntness that acknowledges no light or shade. The cast was led by Andreas Schmidt, a talented young lyric baritone, with the tenor William Pell as Creon and Emily Golden as Jocasta. They and the orchestra under Christoph Prick deserve wholehearted praise.

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Since my last visit to East Berlin four years ago, the musical and architectural landscape has changed. *The Komische Oper* is now dwarfed by a huge new tourist hotel, with a prosperous stone edifice that could have come straight from *Vienna or* Munich. The restoration of the Schauspielhaus, standing at the centre of an incomparable Schinkel cityscape, is complete, and unlike the hotel, the interior lives up to the impressive facade. As several Western touring orchestras have recently discovered, few of the world's concert halls can match the rectangular proportion, the natural resonance and jewelled beauty of the *Schauspielhaus. It deserves* a better resident band than the Berlin Symphony Orchestra, which gave limp support to Tasmin Little's cleanly articulated but undercharacterised account of the Dvorak Violin Concerto.

Two evenings at the Komische Oper provided contrasting pictures of company standards. In a production of *Cav and Pag* dating from March, the quality of singing, conducting and staging was primitive, whereas *Le Nozze di Figaro*, a recent Kupfer staging, was a joy to behold. The production had a traditional look on the surface, and showed scant concern for the finer points of Mozart style. But the performance had an urgency and inner vitality that conquered all. The stage had depth and atmosphere, and was superbly lit. Kupfer seems to have been more interested in the sexual rather than social politics. There was much humanity and comedy. The Susanna, Dagmar Schellenberger, was the only voice that would travel well; but most fascinating of all was the Count as portrayed by Roger Smeets, a *gaunt waspish young rake* who swept the stage with almost balletic power and vividly expressive eyes. Above all, it was an *ensemble performance*, far greater than the sum of its parts, I have never enjoyed *Figaro* so much,

Roy Weakin, Anna Hemery, Carl Heap and (top) Kevin Walton

Sturdy Beggars/The Place

Martin Hoyle

The Medieval Players juggle, tumble, indulge in slapstick, stilt-walk, play music and sing in the course of their dramatic *archeology. But primarily they* revive and revivify the plays all students of the theatre have heard of but almost never get the chance to see. Their repertoire dates from the anonymous fifteenth-century trail-blazers – the English *Mankinde*, the Dutch *Blessed Apple Tree* and the French *Patheiin* – and ranges through Tudor interludes to Shakespeare and Calderon, plus their own adaptations of Chaucer and Rabelais. Gratitude for these neglected cornerstones of our culture must be tempered with caution. Much of the interest attending John Heywood's *The Pardoner and the Friar*, for instance, which makes up part of their offering at The Place, near Euston, is academic rather than vitally theatrical.

As if aware of this, the company run the interminable harangues from each of the Thatcherite entrepreneurs – sorry, I mean Renaissance rogues – simultaneously, and a shouted jumble results. It cuts the running time of this duel between unctuous holy beggar and quack miracle worker, but leaves us wondering *if it was* all worth doing at quite such length in the first place. The climax, when the rival swindlers unite to beat up the local *curate* and a phlegmatic neighbour, provides some slapstick rough and tumble which must go down a treat in intimate, less formal surroundings.

One's heart goes out, however, to the players as they biff and bounce to dead silence in the two-thirds empty auditorium; *schools, colleges or, ideally*, smoke-filled taverns are their proper venue.

That said, the four actors are *remarkably proficient*, as is the violinist Anna Hemery who takes part in the byplay before and between the main works. Language at a minimum, the cast conveys a company of starving and ragged strollers, anxiously ingratiating themselves with the audience and occasionally cudgelled when they fluff a trick by Neil Salvage's burly bearded bully.

Mr Salvage is Chaucer's Miller to the life, and the first hour of an evening that could with advantage be pruned by about 15 minutes consists of something of a *tour de force* as he narrates his Canterbury Tale – in the unadulterated, unmodernised original, be warned – accompanied by a puppet show complete with lovely little props (censer, chamber-pot, diamond-leaded window, red-hot poker – you remember the story?). Carl Heap directs besides tottering on stilts, juggling with flaming Indian clubs and singing excellently, as the whole group does, early but jolly music (Music Director: Giles Lewin). At the Place all this week, the Beggars pursue their *vagabondage to Sudbury and* Richmond next, where I hope the right environment and a properly uproarious audience await them.

BBCSO/Festival Hall

Dominic Gill

Tantalising eavesdrop of the year: one sweet old lady to another during the interval of Wednesday's BBC Symphony Orchestra concert – "Of course, dear, they didn't actually shoot him *during* the concert." No shots were heard before, during or after Wednesday's programme: but that may have been at least in part due to the wonderfully soothing effect at the start of the evening of one of the most somniferous performances of Mozart's symphony no.33 K319 I can remember – correct in most important textual detail, neatly executed, and overwhelmingly anodyne.

Gunter Wand, who should *have conducted, was indisposed*, and his place was taken at short notice by Eliahu Inbal from Frankfurt. I have not yet heard Mr Inbal's new recorded series of Mahler symphonies with the Frankfurt Radio Orchestra: and I do not suppose for a moment that they may necessarily be as elegantly dull as his performance on Wednesday of Bruckner's Third. Perhaps it is quite simply that Mr Inbal and the BBC Symphony do not click. Whatever the cause, Mr Inbal did not manage illuminate the score (played in the composer's first definitive version of 1873) in the way that Wand might be expected to have done.

It is not an easy symphony to rejuvenate: did any composer ever hold on to so many single chords for so long without ever doing anything surprising with them? But where Wand is capable of discovering in such *echt*-Brucknerian procedures a kind of austere, and in its fashion *almost grandly touching*, classical rigour which can be oddly impressive, Mr Inbal took the softer, lyrical view – and the music (at the best of times always in danger of so doing) fell gently and gracefully apart. The differences between this early version and other more familiar versions are actually of marginal importance to the impact and character of the work. I had hoped to be converted: but Mr Inbal's easy, civilised review of the score was not enough to convince.

South Bank entertainment at Christmas

The Joan Collins Fan Club returns to the Purcell Room from December 27–31 with a new outrageous extraganza *Uncanny and Unnatural*.

For children during the same period but at 3.30 in the Purcell Room, Tim Bat, The Three Headed Door Man Man Man, Palfi the Clown and Jolly Wally will be in residence as part of the "It's Magic" season on the South Bank.

Saleroom/Antony Thorncroft

Adam & Eve top lot

Adam and Eve in all their glory, made in bronze, in South Germany, around 1520 perhaps by Leonhard Magt, sold for £143,000 at *Sotheby's yesterday in a* European works of art auction. Both figures are over nine inches high, and gloriously naked and had been part of the collection of the late Rudolf von Gutmann, who sacrificed it to the Nazis during the war but later reclaimed it.

It was the top lot in a sale which totalled £1,514,8109 in the morning session but with 18 per cent unsold. One *major* lot failed to find a buyer: a pair of Venetian renaissance allegorical portrait busts in marble, of the mid 16th century and attributed to Alessandro Vittoria. They were bought in at £115,000 but, as is usual these days, there were negotiations after the auction and they are likely to find a buyer near this price.

The London dealer Cyril Humphries paid £132,000 for a Florentine *bronze* bull by Antonio Susini, after Giambologna, made around 1640. It has been in the collection of Cardinal Richeleu and afterwards belonged to King Louis XIV. It was sold off after the French Revolution by the hard up Directoire.

A *marble group of the Infant* Hercules by Ercole Ferrata but obviously inspired by the sculptor's master, Algardi, sold for £110,000 to Hewat-Jaboo, another London dealer. A French bronze figure of Neptune attributed to Michel Anguier who was active in the mid 17th century, made $93,500. It is almost 20 inches high and gave rise to many imitations. Kugel, another dealer, acquired a rare bronze figure of Venus made in Germany around 1580. It had been in the collection of Lord Clark and was sold by his executors. A surprise was the £46,200, as against a £15,000 top estimate, paid by Danny Katz of Londonm for a Paduan bronze medal of a rearing horse from the workshop of Severo da Ravenna, early 16th century.

Sotheby's achieved a record for Yuan ware on Wednesday in New York when a blue and white dish of the 14th century decorated with a carp sold for £602,575 in an auction of Chinese ceramics and works of art. It is rare to find a dish of this period with such a naturalistically painted fish design. Top price in the Chinese ceramic sculpture from the collection of Lillian Schloss, which totalled £216,204, was the £39,167 paid for nine painted pottery figures of female musicians of the Sui dynasty.

A VC awarded to Captain Raynor for gallantry at the Delhi Magazinem, during the Indian Mutiny of 1857, was bought back by his family at Spinks yesterday for £11,000. Raynor is remarkable for being the oldest ever recipient of the VC. He was about 69 at the time. Also at Spink two gold medals awarded to Vice-Admiral Sir Thomas Duckworth for bravery at St Domingo in 1794 sold for £52,000. One medal was large, and one small. Only two large medals were given for heroism during this engagement.

Christie's sold continental furniture for £586,047 in the morning session, with 24 per cent bought in. The top price was £46,200 paid by Partridge of London for a set of four neo classical Swedish white painted and gilded arm chairs from the 18th century. A German walnut bureau of the late 18th century made £27,500.

Research opportunities diminishing, warns British Library

The warning that research opportunities in the UK were being diminished because academic libraries were unable to afford to subscribe to all the necessary learned journals and books was given yesterday by Mr Kenneth Cooper, Chief Executive of the British Library when introducing the Library's annual report.

A *research study* indicated that the cost of academic publications had risen by 72% in the past 5 years, way above the *increase in grants*. Researchers were holding off from studying in new areas because of worries in securing the necessary source material. *Even the British* Library had acquired 30% fewer monographs on the human ties side.

The 6% rise in the British Library's grant from the Government for 1988 to 1989 bringing it up to £54m will not make good the effect of a £5m fall in funding in real terms over the past 7 years. And for 1989 to 1990 and the following year the grant is set to rise by only 2% annually.

Mr Cooper had some good news. The new British Library now rising at St Pancras has received additional resources from the Government: the £230m scheme will be occupied from 1993. Also the British Library has been successful in raising its income from selling its data to almost £80m this year. It has also received some interesting bequests, notably the archive of William Booth (founder of the Salvation Army), and it announced yesterday the donationof the Eleanor Farjeon papers donated by the writer's neice.

Arts Guide

December 11-17

Continued from page 24.

Exhibitions

LONDON

Royal Opera, Covent Garden: As its festive-season offering, the Royal Opera brings back l'Elisir d'Amore with Yvonne Kenny, Denes Gulyas, Enzo Cara, and Gino Quilico. Last of the current Tosca revival, well cast (Marton, Wixell) but very lamely conducted by Giuseppe Sinopoli. (240 1066).

English National Opera, Coliseum. The new, eagerly-awaited production by *David Pountney of Hansel* and Gretel has Mark Elder as conductor, Ethna Robinson and Cathryn Pope in the title roles, and Felicity Palmer (doubling mother and witch) and Norman Bailey also in the cast. Further performances of two Jonathan Miller productions - the Mafia-style Rigoletto, in its last-ever run, and the limp, unfunny new Barber of Seville, with Della Jones's Rosina the most important saving grace. (836 3161).

PARIS

Kirov. The temple of classical ballet has brought, with Swan Lake and Giselle, a revelation: the couple Farouk Ruzimatov and Altynai Assylmuratova. Palais des Congres (426 62075) until Jan 10.

Jiri Kylian and the Nederlands Dans Theater perform to music by Stravinsky, Mozart and Debussy until Dec 18, to music by Toru Takemitsu, Iannis Xenakis, Minku, Mozart and Jon Hassell until Dec 20. Theatre de la Ville. (427 42277).

Norma alternates with Macbeth at the Paris Opera.

Don Giovanni conducted by Lothar Zagrosek with Francois le Roux in the title role and Helene Garetti as Donna Elvira in Oslo Opera's dynamic production by Goran Jarvefelt at the Opera Comique. (429 60611).

WEST GERMANY

Berlin, Deutsche Oper. Hansel und Gretel stars Karan Armstrong, Janis Martin, Barbara Scherler and Gerd Feldhoff. Oedipus, composed for the Berlin Opera, will be conducted by Christof Prick. Also The Nutcracker choreographed by Rudolf Nureyev. (34 381).

Hamburg, Staatsoper. Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum. The cast includes Linda Plech, Deborah Massel, Ralph Houston and Peter Galliard. The Nutcracker and Endstation Sehnsucht are choreographed by John Neumeier. Don Pasquale has fine interpretations by Hellen Kwon, Paolo Montarsolo and Urban Malmberg. (35 11 51).

Cologne, Opera. Hansel und Gretel has Andrea Andonian and Teresa Ringholz in the main parts. Hellen Kwon repeats her much praised Queen of the Night in The Magic Flute. (20 761).

Frankfurt, Opera. John Cage's opera Europeras 1 & 2 will have its premiere this week. Falstaff is steered to triumph by Louis Quilico in the title role. Cosi Fan Tutte has a new cast led by Clarry Bartha, Marianne Rorholm, Mitsuko Shirai and Rodney Gilfry. (25 621).

Munich, Bayerische Staatsoper. La Forza del Destino stars Julia Varady, Judith Forst, Kurt Moll and Wolfgang Brendel. Hans Werner Henze's Undine, choreographed by Tom Schilling. Madame Butterfly is also being staged.

ITALY

Turin, Teatro Regio. Don Giovanni conducted by Miklos Erdelyi and directed by Luigi Squarzina, with Renato Bruson singing the title role, alternating with Martin Egel. Also in the cast are Eugenia Moldoveanu, Daniela Dessi, Silvia Baleani, Stafford Dean and Raquel Pierotti. (58 80 00).

Florence, Teatro Communale. Franco Zeffirelli's production of La Boheme, conducted by Carlos Kleiber, with Mirella Freni and Cecilia Gasdia alternating as Mimi, with Chris Merritt and Jonathan Summers. (277 9236).

Trieste, Teatro Communale Giuseppe Verdi. La Figlia del Reggimento conducted by Carlo Rizzi and directed by Filippo Crivelli, with scenery and costumes by Franco Zeffirelli. In the cast are Luciana Serra, Aldo Bertolo, Rosa Laghezza and Domenico Trimarchi. (63 19 48).

Milan, Teatro alla Scalla. Don Giovanni, in what promises to be an outstanding production, directed by Giorio Strehler and conducted by Riccardo Muti, with Thomas Allen in the title role. The figures and landscapes in Ezio Frigerio's sets have been borrowed from the Venetian painter Bellotto. Costumes by Franca Squarciapino. Also, The Nutcracker in Rodolf Nureyev's version, with scenery and costumes by Nicholas Georgiadis, danced by Anita Magyari and Charles Jude. (80 91 26).

Rome, Teatro dell' Opera. Alicia Alonzo's Ballet Nacional de Cuba conducted by Alberto Ventura. (46 17 55).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera with Cendrillon by Jules Massenet, directed by Gilbert Deflo. The Netherlands Philharmonic conducted by Henry Lewis, with Stephanie Friede, Robynne Redman, Rita Gorr and Wendy Hill (Tue). The National Ballet with Ashton's Cinderella (Thur). (25 54 55).

Amstelveen, Cultureel Centrum. The Hoofdstad Operetta company in Strauss's Wiener Blut directed by Dick Trop and conducted by Martin Malzer (Tue to Thur). (45 84 44).

The Scapini Ballet Company dance Tchaikovsky's Nutcracker, with the Brabant Orchestra conducted by Jan Stulen. Wed in **Arnhem**, Schouwburg (42 27 41). Thur in **Eindhoven**, Schouwburg (11 11 22).

NEW YORK

Metropolitan Opera (Opera House). Manuel Rosenthal conducts Die Fliedermaus in Otto Schenk's production with Barbara Daniels, Judith Blegen, Tatiana Troyanos and David Rendall; Marek Janowski conducts John Dexter's production of Die Entfuhrung aus dem Serail with Zdzislawa Donat, Erie Mills, Gosta Winbergh and Matti Salminen. Fabrizio Melano's new production of Il Trovatore is conducted by Richard Bonynge, with Joan Sutherland, Fiorenza Cossotto and Luciano Pavarotti; Franco Zeffirelli's production of Tosca is conducted by Christian Badea with Eva Marton, Sherrill Milnes and Italo Tajo. *Lincoln Center*. (362 6000).

WASHINGTON

Joffrey Ballet (Opera House). This Robert Joffrey production is done in collaboration with Gerald Arpino, Richard Englund and George Verdak with scenic design by Oliver Smith and costumes by John David Ridge. Ends Dec 27. Kennedy Center. (254 3770).

TOKYO

Ise. Return visit to Tokyo by four members of New York's Momix Dance Group. Ginza Saison Theatre (Thur). (535 0555).

FINANCIAL TIMES

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Friday December 11, 1987

Elections in Hong Kong

THE DESIRE of the British Government and its colonial counterpart in Hong Kong to maintain good and stable relations with the Chinese Government in Peking is in danger of engendering a shabby disregard for the interests of the 5m people of Hong Kong - a danger well articulated this week by a delegation from the colony which came to London to urge democracy before it is too late.

The most important achievement of the lobbying has been the decision of Sir Geoffrey Howe, the British Foreign Secretary, to consider a parliamentary debate on Hong Kong soon after Christmas. MPs should insist that time be found for this so discussion of the future of Hong Kong's residents can be held in the best forum, the British House of Commons.

The Commons has an important duty towards the people of a free and thriving colony shortly to be integrated into a China which is neither free nor particularly prosperous. As the protestations of the Hong Kong Government that it has the best interests of its citizens at heart sound increasingly lame, British MPs of all parties should take it upon themselves to ensure nothing goes by default in the last years of the colony and that the rights and aspirations of the Hong Kong people are defended and promoted.

Hong Kong will return to Chinese sovereignty in 1997 when the British lease expires. Under the Sino-British accord of 1984 the colony will become a Special Administrative Region of China, with the retention of its capitalist system and structures guaranteed for at least 50 years under China's ingenious "one country, two systems" proposals.

Improving democracy

In addition the new SAR will have substantial executive, legislative and judicial autonomy, with individual, social and political rights guaranteed under a Basic Law, currently being drafted in Peking.

The problem is that these fine words are capable of an infinite variety of interpretations; clarifying detail was deliberately left out of the 1984 accord. A key issue of contention is how to improve democracy in Hong Kong by moving towards more direct elections, most importantly to the Legislative Council (LEGCO) which is empowered to enact legislation. It is at present a mixture of indirectly elected and appointed members with Sir David Wilson, the Governor, as president.

The British Government's starting point was enthusiastic support for moves towards western democracy based on one man, one vote. The Hong Kong Government's stated view was the same. But Peking's virulent opposition to western-style democracy appears to have made the avoidance of a diplomatic incident a higher priority for London and Hong Kong than the pursuit of democracy.

The consequence has been obfuscation. The colonial government published a confused green paper in May. Residents had until the end of September to comment. A special Survey Office published an analysis of these responses last month which was greeted with derision. Its conclusion that a majority favoured direct elections to LEGCO, but not necessarily in 1988, was widely criticised as being the result of muddled questioning and methodology. The most damning indictment came from the Hong Kong Statistical Society which said the entire survey was fundamentally flawed.

World spotlight

If the Hong Kong Government wishes to regain some credibility, the best approach would be to go onto the offensive, announcing direct elections for some LEGCO seats in 1988. Next February's white paper on political reform should state clearly that the directly elected proportion will increase in successive elections.

Peking should be told plainly that Hong Kong citizens will be given as much democracy, freedom and self determination as possible before 1997. If there is to be a row, better now than later. Any attempt by Peking to reverse or destroy what the British leave behind will have to occur in the full glare of the world spotlight, risking charges of duplicity over the "one country, two systems" claim.

The British Parliament has a crucial guardian's role to play in all this. It must ensure the issues do not slide off stage. The Hong Kong delegates who went home last night should keep Westminster up to the mark.

Next challenge for Mr Haughey

MR CHARLES HAUGHEY, the Irish Taoiseach, has been winning plaudits for his handling of the economy. Unlike his predecessor, Dr Garret Fitzgerald, he has managed to convince many of his compatriots that fiscal retrenchment is the only viable course for the nation. The March Budget coupled significant spending cuts with painful tax increases. Further retrenchment is planned for the rest of the 1980s. The Government is committed to stabilising the ratio of public debt to GNP, which has grown explosively in the past decade.

The creditable - if nascent - attempt to reduce public indebtedness has been accompanied by progress in other areas. Ireland will probably run a small current account surplus next year. This contrasts with an external deficit equivalent to 11 per cent of GNP as recently as 1982 and reflects a strong recovery of exports.

At the same time, inflation has been brought down to around 3 per cent. The reduction is particularly important for Ireland because it means the punt's EMS parity can be held without strain and without significant loss of trade competitiveness. The reduced risk of exchange rate losses, the trade turnaround and the Haughey Government's commitment to austerity have certainly boosted confidence among overseas investors who this year have purchased sizeable quantities of Irish pound denominated public debt.

Fiscal profligacy

It would be a mistake, however, to think that the Irish economy is yet firmly on the road to recovery. Teachers - a powerful lobby in Ireland - have been vigorously opposing education cutbacks in recent weeks. The opposition parties on which Mr Haughey depends for support are showing signs of wavering in their commitment to fiscal retrenchment. Yet if the Government were unable to follow up this year's health cuts with education cuts in 1988, the fragile consensus in favour of austerity might begin to unravel.

The scale of the problems yet to be tackled is highlighted in an OECD survey of Ireland out today. Ireland has always been much poorer than the UK, but the economic fortunes of the two countries have diverged markedly since the early 1980s. Real GNP fell by more than 4 per cent in Ireland between 1981 and 1986; real domestic demand by 7 per cent. Emigration, the traditional escape route for the young from Ireland's periodic depressions, has accelerated markedly and wiped out all natural growth of the labour force. Unemployment has soared to 19 per cent despite the labour outflow.

Latin-American style borrowing in the 1970s and early 1980s lies at the root of many of the problems. It is difficult for an economy to show any buoyancy when public debt is 50 per cent higher than GNP and interest charges absorb 30 per cent or more of tax receipts. But fiscal profligacy is far from being Ireland's only economic mistake, as the OECD is at pains to point out. It therefore follows that Mr Haughey's retrenchment drive, even if it can be sustained, will provide only a partial remedy.

Repatriated profits

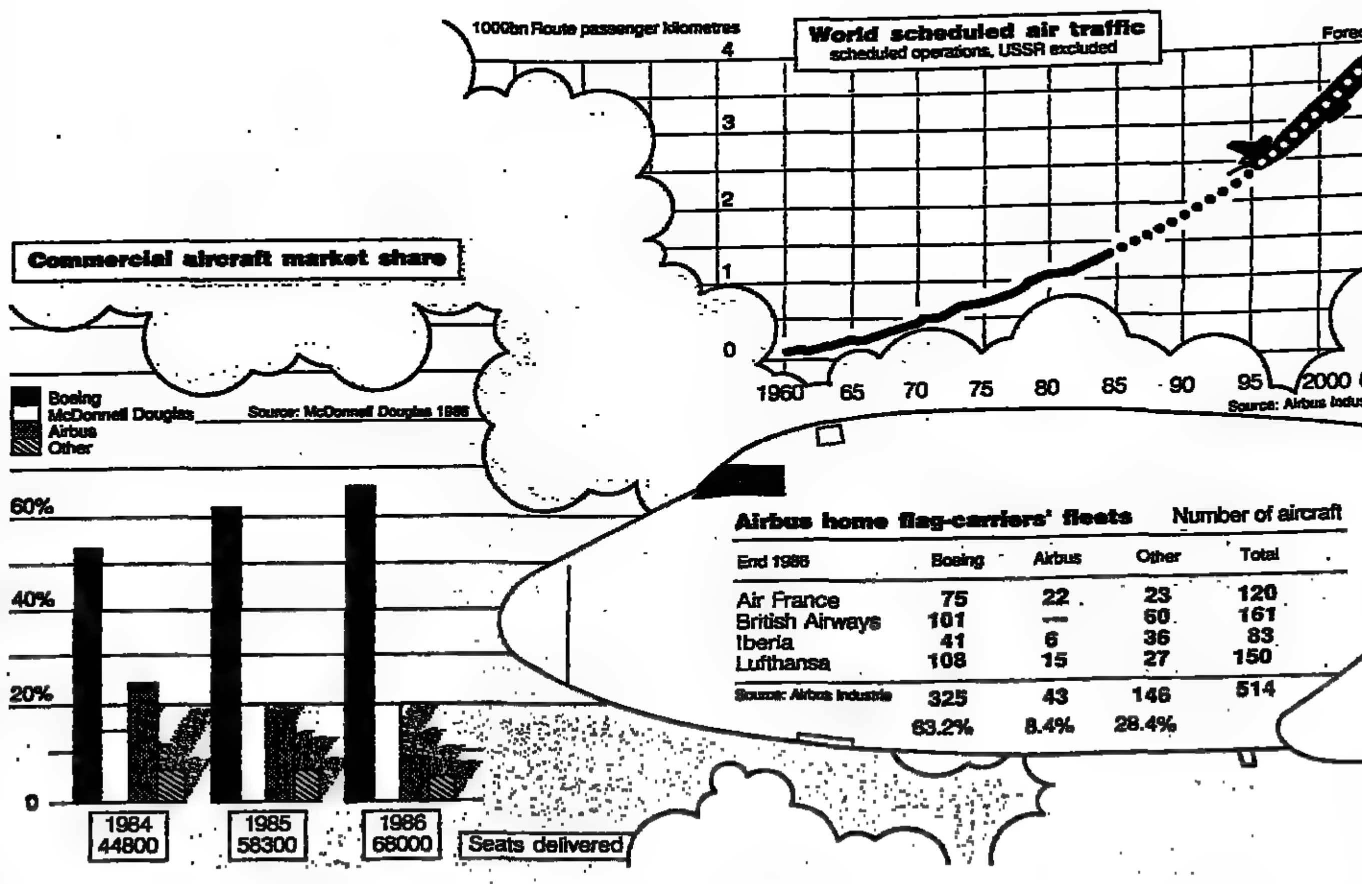
Ireland also needs to implement a series of radical structural reforms, particularly in the field of tax and social security. Since 1979, the average real old age pension has risen 25 per cent while the after tax income of the average worker has declined by 10 per cent. This is welfarism running out of control. Yet while disposable incomes have fallen, real labour costs for employers have risen by 20 per cent partly because of higher social security taxes and other levies on labour as a factor of production.

Industrial policy continues to discriminate in favour of capital. Subsidies and virtually tax-free profits have attracted foreign multinationals, which now account for 80 per cent of non-food manufactured exports. But the foreign companies employ little labour; the outflow on account of repatriated profits easily exceeds the inflow from EEC grant money. Other distortions abound: farmers, for example, on a per capita basis, pay only roughly a quarter of the taxes of ordinary employees. Property is almost untaxed.

Ireland is likely to prosper only if fiscal restraint is matched by structural reform. The big challenge for Mr Haughey is to create a constituency in favour of this kind of reform in a country that is still keen on corporatism. It should not be any harder than persuading people to accept spending cuts.

Peter Montagnon looks at the latest round in the row between US and European aircraft makers

Airbus tries to clear the turbulence



Airbus home flag-carriers' fleets — Number of aircraft

End 1986	Boeing	Airbus	Other	Total
Air France	75	22	23	120
British Airways	101	—	60	161
Iberia	41	6	36	83
Lufthansa	108	15	27	150
Source: Airbus Industrie	325	43	146	514
	63.2%	8.4%	28.4%	

"I GET SLIGHTLY irritated," complains Sir Raymond Lygo, chief executive of British Aerospace, "when people like Boeing who are sloshing around in their monopolistic profits actually start to criticise us...We have nothing to defend and nothing to hide. We can't hide anything. We're a public company."

This remark from the head of one of the European Airbus consortium's four partner companies betrays the continuing deep resentment in Europe over US efforts to curb what it alleges are unfair Government subsidies on Airbus aircraft.

Efforts to prevent these subsidies leading to a damaging trade war will again be the focus of attention in Brussels today, when Mr Clayton Yeutter, US Trade Representative, and Mr Willy de Clercq, his EC counterpart, meet for the next round of the long drawn-out Airbus squabble.

Officially billed as a progress review of detailed bilateral negotiations launched in late October, today's Brussels talks had until recently been seen as the make-or-break meeting on the Airbus issue. Now, however, officials say they are likely to produce no more than an agreement to continue talking. The underlying issues are still too complex for quick solution, and the price of failure is too great for the search to be abandoned.

At the core of the dispute is the fear of the two US airframe manufacturers, Boeing and McDonnell Douglas, that their business could be jeopardised by Airbus because of its access to government funds. The problem for Airbus - the consortium includes Aerospatiale of France, Messerschmitt-Boelkow-Blohm(MBB) of West Germany and Casa of Spain, as well as British Aerospace - is that, even after 17 years and, by US industry calculations, around $12bn (£6.7bn) of government support, it could not survive if the subsidies were cut off.

The dispute is not just about the fortunes of a handful of high-profile companies. The argument also affects a multi-billion dollar market which, according to Airbus Industrie, will be worth more than $400bn worldwide over the next 20 years. National prestige, and particularly a European desire not to be left behind in the technology race, are at stake.

Senior international trade officials admit privately that a trade war over Airbus could be violent enough to undermine the Uruguay round of multilateral trade liberalisation talks now under way at the General Agreement on Tariffs and Trade(Gatt), especially as general tensions have risen with the collapse of the dollar in exchange markets. "It would be like throwing lighted matches in a dynamite factory," says one official.

Recognition of the danger was clearly one factor behind the joint decision on October 27 to look for a negotiated solution. The aim is to foster what the ministerial declaration called "a more favourable environment for civil aircraft trade."

Similarly, as officials have been locked in negotiation in the run-up to today's meeting, both Boeing and McDonnell Douglas have been careful in their public statements to deny that their aim is to drive Airbus out of business. They say they simply want it to be forced to operate on a normal commercial footing. This would oblige it to charge higher prices for its aircraft, but its US competitors claim that the market would sustain such an increase.

Warning that a subsidised Airbus is a long-term potential threat to Boeing, Mr O.M."Rusty" Roetman, vice-president for international business says: "There's a potential competitor that can come in after the fact and cut prices at zero risk to itself." Mr John McDonnell, president of McDonnell Douglas, adds that the success of the planned MD-11 long-range airliner, on which his company has staked the future of its civil aircraft business, is predicated on the assumption that the rival Airbus A-340 "will not be priced destructively."

National prestige and a European desire not to be left behind in the technology race are at stake

Although at a commercial level the argument is all about prices, at the trade-political level it has developed into a legalistic and complex debate about subsidies, which, according to the Gatt code on civil aircraft are permitted provided they do not distort the market.

This explains Sir Raymond Lygo's indignation. "I'm not in the mood to compromise," he says. "From a British Aerospace point of view everything we and the British Government has done is within the Gatt rules." Though the Thatcher Government keeps a tight rein on Airbus funding, the US believes that Germany and France do not. Its impression is of a bottomless coffer which will be used to keep Airbus afloat, come what may.

Airbus itself prefers to describe the government money it receives as loans. But, to the intense frustration of the US, it publishes no figures of its own, claiming that all necessary data are available from the accounts of its individual partners. All Airbus will do categorically is to deny the US accusation of deliberate undercutting.

"If we were really underpricing, do you think any airline would hesitate about buying Airbus?" a spokesman says. "The US started the game of lowering its prices to levels where sometimes we can't follow."

Over the last few months the air has been thick with similar accusations and counter-accusations. Europe argues that as long as a US company like Boeing controls as much as 70 per cent of the worldwide market, there can be no question of trade distortion arising from subsidies. Besides, US manufacturers receive billions of dollars in hidden indirect subsidies from the US Government through the work they do in the military sector.

Boeing's Mr Roetman retorts: "We have never had a handout on a commercial plane from the US Government." He says military revenues are much smaller than the Europeans think, and besides, the four European Airbus partners derive substantial revenues from military business. Launch-aid assistance is all well and good, but Airbus should at some stage be forced to become profitable. The consortium says it will do so by the mid-1990s, but "no one has seen a plan as to how you get there."

In recent weeks as the two sides have groped for a means to reconcile opposing views, two essential ingredients to a solution have emerged in talks between officials. However, both are much more difficult to agree in practice than they are in theory:

- The first is that payment of subsidies should be made more transparent so that it would be easier to tell if the agreed rules were being flouted.
- The second is that a way must be found to impose greater discipline on Airbus finances, but not to such a point as to drive it out of business.

After the October 27 decision to look for a negotiated solution, European officials thought they had achieved a basis for reasonable discussions. But they were quickly shocked to discover that, effectively, the US still wanted an abrupt and total end to all subsidy payments, including those on existing product lines. All future money would have to come on strictly commercial terms, making it indistinguishable in practice from private market finance.

European negotiators insist that they have a right under Gatt to subsidise Airbus and are not seeking any special privilege or exemption. Moreover, they believe that any solution will have to provide some scope for subsidies to continue on existing programmes.

This has become imperative because of the decline of the dollar, which many consider has made the whole dispute much more problematic. US dominance of the world market means that aircraft are priced internationally in dollars reflecting US production costs, but Airbus costs are in steeply rising European currencies.

The Europeans insist they have a right under Gatt to subsidise Airbus and are not seeking any special privilege

The EC now argues that there must be a clause in any final agreement allowing governments to compensate for what it believes are the exceptional difficulties facing the industry as a result of exchange rate movements. To the US, however, this would set a dangerous precedent for other industries. It could ultimately be used to negate the entire advantage of dollar depreciation.

A further bone of contention is the question of transparency. The US has been seeking information on Airbus accounts going back several years, but to European negotiators this is simply the thin end of the wedge. "Why should be reveal things just because there's a certain curiosity?" says one official. The European view is that enhanced transparency agreed on its part should be matched by similar information on indirect subsidies from the US. Any new rules on subsidies should be respected by the US as well as Europe.

Though the US regards the dispute as essentially a bilateral one, European officials are wary of any agreement that smacks of the notorious Japanese/US semi-conductor agreement which has been roundly condemned in international trade circles as market-sharing and has led to protests from other countries. Even if the final deal involves an agreed interpretation of the Gatt aircraft code rather than a complete rewriting, the Europeans insist that any new rules should be adopted and enforced multilaterally.

An abiding worry is that in the longer term Japan could emerge as a potent force in the world aircraft industry. Europe does not want to have its hands tied then, by anything agreed bilaterally with the US now.

A multilateral agreement, which would also involve the US in accepting discipline over its own indirect subsidy process, would be a tall order for Washington. In Geneva last week, the EC's Mr de Clercq told a press conference that some progress was being made, but only time will show whether the two sides can be reconciled.

If not, a trade war might break out, either because the Reagan Administration decided of its own volition to initiate trade action, or - and this is regarded by many experts as the greater danger - because it would be forced to do so after a trade complaint seeking redress under US trade laws was filed in Washington by one or other of the two main US airframe companies.

"Our lawyers argue that we have a very strong case," says Mr Roetman. Boeing, he adds, has a case ready for filing if need be. Because of the competitive clash between the MD-11 and the A340, McDonnell Douglas is generally assumed to be facing greater short-term pressure from Airbus. Mr McDonnell denies that it is equally prepared to file a complaint, but he makes it plain that it is thinking along such lines.

What is holding the companies back from such drastic action is the fear of what could happen if a trade war were unleashed. It is not just a question of Boeing and McDonnell Douglas being cut out of the European market by sanction and counter-sanction. The aircraft industry is an international one. Component suppliers on both sides of the Atlantic could be sucked into the conflict at great overall cost to the industry.

For example, over 30 per cent of the Boeing-767 involves non-US parts, including tailplane and wing flaps, which, as Sir Raymond Lygo points out with a touch of tetchy irony, Boeing buys from the subsidised Aeritalia concern. Airbus says more than 500 US companies are involved in its programmes.

"This market is a world market. No company can be successful selling only into its home market. If we really get into a trade war it would be very difficult for all of us," says Mr McDonnell.

On the other hand time is pressing and US manufacturers are impatient for progress at today's meeting. "If they (the Europeans) keep stonewalling, we may be forced to do something that nobody wants," says Boeing's Mr Roetman.

Men and Matters

Cover change at Allied Dunbar

A end of an era in the British life assurance industry came this week with the annoucement that Mike Wilson is to become group chief executive of Allied Dunbar group as from the beginning of next month, taking over from Sir Mark Weinberg.

It is 25 years since three South Africans, Mark Weinberg, Sid Lipworth, and Joel Joffe, lawyers by training, arrived on the life assurance scene with the launch of Abbey Life.

During the intervening period, we have seen an actuary dominated industry, with its emphasis on valuation and bonus distribution, transformed into a product marketing driven industry, with the emphasis on sophisticated product design backed by top class adminstration systems.

Mark Weinberg and his team, first at Abbey Life then at Hambro Life (now Allied Dunbar), developed the potential of the unit-linked life contract in UK life assurance - a concept that had been put forward a few years earlier by one adventurous actuary and rejected out of hand by the rest of the actuarial profession.

Next he revolutionised the marketing of life assurance, introducing the concept of a direct sales force, known as associates, who were not employees of his company but tied under a sales agreement.

In return for in-depth training and financial back-up from the life company, the associate channelled the vast majority of his business back to his tied company.

This service was backed by top class adminstration in an industry where service at times has been something of a joke.

Allied Dunbar's rivals have castigated the salesmen in a variety of ways – the Allied Dunbar salesman is the current bogyman of the established company pensions industry and trade unions.

But never has there been any criticism of the salesmen's knowledge, or the back-up service provided by the company.

Their ultimate triumph is that their methods, widely criticised at the time, have now been widely accepted by the life assurance industry.

The trio is stepping down from the active running of the company. Sir Mark Weinberg, who is deputy chairman of the Securities and Investments Board, remains as executive chairman, while Joel Joffe becomes deputy chairman in succesion to Sid Lipworth who departs to new pastures as chairman of the Monopolies Commission.

Mike Wilson and the new managing director Sandy Leitch are both steeped in the Allied Dunbar tradition, having been members of the management team for years – Wilson in charge of marketing and Leitch in adminstration.

Wilson's long-term aim is to get Allied Dunbar into Europe, where he feels that it can repeat the pioneer job for European financial services.

Computer time

Luminaries of the computing world gathered in Cambridge last night to hear one of the grand old men of the discipline speak at a dinner to mark the 50th anniversary of Cambridge University's computer department.

Professor Maurice Wilkes, now in his 70s, was the laboratory's first director, between 1938 and 1980. He was responsible for one of the world's first electronic computers, the EDSAC – one of the jobs of which was to work out bakery orders for the J. Lyons chain of tea houses in the 1950s.

Wilkes, who has been described as a Galileo of computing, left Cambridge to work for a few years in the US for Digital Equipment. He has now returned to become a founder member of a new Olivetti research laboratory.

Wilkes takes a sprightly interest in virtually all aspects of computers, and can discuss with equal fluency the monster systems used during the last war, and the latest matchbox-sized microprocessors.

Among a few spicy remarks he pressed home a case for individuality in research projects. Too many British companies, he suggested, would rather instruct researchers than learn from them.

Another baron

The German journalist who mistakenly called him "Herr Murdoch" may be forgiven.

For Robert Maxwell, the UK media magnate and football club owner, was in fighting form about his rival press baron while in Frankfurt this week.

Surprisingly, Maxwell took particular pleasure from the news of a record-breaking DM850m (£280m) order for German colour printing equipment just placed by News Corporation, Murdoch's main company.

According to Maxwell, Murdoch had doubted his earlier decision to buy the same German presses on the grounds that colour printing would not be that important.

Maxwell went ahead with a DM650m order nevertheless, and News Corporation would now have to wait three years for the Maxwell presses to be supplied before its order could be completed. "I hope I will get a big commission", Maxwell joked.

But the last laugh belongs to Peter Bruett, a managing board member of MAN Roland, the company which manufactures the equipment. His group has now managed to clinch both deals - the DM650m sale to Maxwell (then a record-breaker), and now the even bigger Murdoch sale – which may eventually top the DM1bn mark if options are exercised.

Maxwell, almost bursting with ideas for satellite television ventures across the globe, also scored a goal with the news that Patrick Cox, deputy chairman and chief executive of Sky Channel, the UK-based satellite TV group which broadcasts to much of continental Europe and is majority-owned by Murdoch's News group, is quitting to start working for the Maxwell group from January 1st.

As for football, one of his other loves, Maxwell made clear he had no interest in a German club. Eintracht Frankfurt (Frankfurt United) whose similarity to the famous Manchester team goes beyond its name to identical red colours, is having another good season.

But unlike its more mercurial UK counterpart, it shares the honour with only three German counterparts of never having been relegated from the first division. German reliability again?

Editors out?

One result of the current glare of publicity being thrown on to the D-Notice system of newspaper self-censorship on security matters is that editors themselves are thinking about it afresh – and wondering whether it may have outlived its usefulness.

More than 150 newspaper, radio and television editors were told yesterday they should think about pulling out of the system (a joint arrangement with the government) in the wake of the government's court move against the BBC.

The call comes from the Association of British Editors which wants its members to reconsider their participation in D-Notices.

James Bishop, chairman of the association, and himself on the D-Notice committee, says "In its frustrated attempts to silence some people like Peter Wright, the government has been turning more and more against the media, forcing editors into the courts to defend the basic right of freedom of the press. It is going for the wrong target".

The Association of British Editors was formed three years ago and has more than 150 members from national and regional newspapers, television, radio, and magazines.

Observer

POLITICS TODAY

Where opinion polls are a novelty

By Malcolm Rutherford in Moscow

WHILE President Ronald Reagan and Mr Mikhail Gorbachev were signing the INF agreement in Washington, a small protocol was signed in Moscow designed to facilitate exchanges between British and Soviet journalists. That is why a few of us are here being told about glasnost – openness – and perestroika – the radical restructuring of Soviet society.

Some of the discussions have been remarkably frank. One is left with the impression, however, that the reforms are backed mainly by a group of intellectual elites who see them as the only way of ending the Soviet Union's long period of stagnation. They are aware that they are being introduced dangerously late and have doubts about how far it will be possible to implement them. Moreover, new obstacles to reform are being discovered all the time and there is some evidence that the general public has become so set in its ways that it does not want change, at least of the kind presently on offer.

The best way of illustrating these points is by describing a visit to the sociology department of the Soviet Academy of Sciences. It is a great irony that Karl Marx should have been one of the world's first sociologists, yet that in the Stalin era sociology was regarded as a bourgeois science and virtually disappeared in the Soviet Union.

It began to re-emerge in the 1960s, but only slowly. Even now it is said by its practitioners to be only at a transitional stage. Few sociology lecturers took their degrees in that subject. Mr Gennady Batygin, deputy editor-in-chief of the bi-monthly Sociological Investigations of the Academy of Sciences, did his early work on the origins of linguistics and says that he still looks to his first professors, who specialised in antiquities, for his inspiration and his method.

The result of suppressing sociology was that the Soviet authorities deprived themselves of the means of knowing what was going on among their own people and why. Now that the new authorities would like to know more, there are not enough experienced sociologists around to find out. Besides, what the sociologists who do exist are discovering cannot be good news for a reforming Mr Gorbachev.

So far as one can see, there is nothing wrong with their methodology. True, when sociology began to reappear there were problems. It was not easy, Mr Batygin says, to introduce public opinion polls which might include the question: "Are you satisfied with such-and-such a state of affairs?" when the whole of Soviet society is based on the premise that everybody is satisfied with everything. That is why it was dismissed as a bourgeois, reactionary science and, according to Dr Batygin, sometimes still is.

Now, however, polling is quite extensive. Mr Batygin and his colleagues reckon that an average of 1.5m Soviet citizens must be polled in a year. Some of it is done by other academic institutes outside Moscow – in Leningrad, Kiev and Novosibirsk. The Communist Party also goes in for it, but may not always have properly monitored the results. Mr Batygin, who is a party member, says that he believes that is being changed and in future polling will be more systematic.

Around 80 per cent of the fieldwork is conducted by face-to-face interviews. That is regarded as the best method by pollsters in other countries and 80 per cent is a high proportion by any standard. Dr Batygin claims that in some of his polls the number of people questioned has been more than 5,000, which would be regarded as overkill by pollsters in Britain.

One of Dr Batygin's principal findings is that there is considerable resistance to perestroika, even among people who initially say they are in favour. In one poll, 80 per cent said they supported it. Then he started thinking about what that might mean and asked further questions. In another poll, support was down to 60 per cent; nearly 40 per cent of young workers and young members of the intelligentsia were either against it or registered as don't knows.

Besides, analysis of the findings suggested that the responses were intellectually muddled. Half those polls claimed that the main reason why perestroika was being slow in taking effect was that bureaucracy was holding back the process. Yet half the senior leaders in management and production also blamed bureaucracy. In other words, what the polls showed was simply the bureaucrats blaming the bureaucrats.

In the breakdown of the age profile of his polls, Mr Batygin claims to have discovered something else: the Soviet young are more conservative than their elders. "The older generation," he says, "is more sensible. It has the art of doubting. The thinking of the young is more rigid; there are some extremely conservative trends as well as some radical ones, but it is the conservative trends that are dominant and the rigidity with which views are held that is striking."

These are early days for firm conclusions, but what Mr Batygin thinks he is finding is that there is a major block to change in the Soviet mass psychology. The view that everybody must be equal has taken such root that it will be very difficult to challenge. It applies particularly to salaries. He says that he has discovered that the Soviet people do not really work for money, but do the work simply because it is there.

What they cannot accept about the idea of encouraging private enterprise, which is part of perestroika, is that some people will become rich. Most of the people have money to spare, but they do not spend it because they have become used to buying something that is practically given away rather than good enough to be sold at a market price. They cannot understand the idea that an individual should be responsible for his own fate. "The privateer," Mr Batygin says, "is rejected by mass Soviet psychology because he is free."

His views on economic policy are that Soviet society will only be saved by private enterprise which, he claims, is not incompatible with being a good Marxist. When he wrote that, he received hundreds of letters demanding his resignation or expulsion from the party.

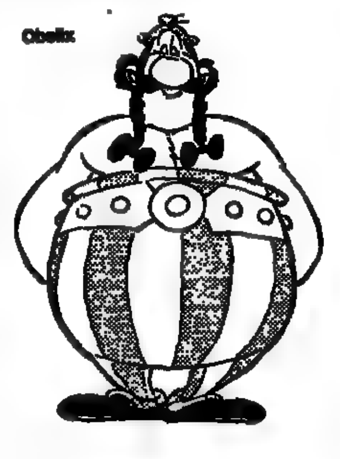
The next issue of his publication will include an article blaming the shortage of books in the Soviet Union on the writers, the reason being that royalties are paid whether the books are sold or not, so there is no incentive to get them to the shops.

What he is really saying about everything, however, is that the bulk of the Soviet people have been used for so long to having only one opinion that they cannot easily contemplate choices. There may be, he says, a kind of bifurcation or split consciousness, whereby people hold a different opinion privately, but it is not one that will come out in public. George Orwell, he suggests, was right when he wrote about "doublethink" in his novel 1984.

I have dwelt on Mr Batygin at some length not because he is an eccentric. On the contrary, he seems to be in the mainstream of the reformers. Much of what he said was echoed in conversations with others. There appears to be no organised opposition to perestroika, just a kind of lethargic resistance outside the elites. The opinion polls produce supporting evidence for that thesis.

Asterix – the comic with the magic potion

Asterix



Obelix

ASTERIX THE GAUL is back on the warpath. With his faithful fat companion Obelix, the champion of *bande dessine* – or the comic strip – is breaking publishing records with his latest adventure as easily as he demolishes legions of Romans.

Since it was launched at the end of October, the latest Asterix book, called Asterix Chez Rahazade, has proved a record breaker with 5.6m copies sold in 16 languages. In France, a second print run of 400,000 copies has been added to the initial 2m. In West Germany, more than 2.2m copies have been sold.

This is good news for *bande dessine*, which in France is considered the ninth art after the cinema and television. After flourishing in the 1970s, the comic industry has become troubled in the last few years as rapid market growth led to the quality of new comic strips often failing to meet expectations.

Asterix has come to the rescue. Asterix Chez Rahazade will be published in the UK in March, with an initial sales expectation of 165,000 copies in hardback, paperback and a pocket edition. Eventually, the publishers believe that the sales worldwide will be even more than the 7.5m total reached by the book's predecessor, Asterix and Son, published in 1983. Since the first Asterix book appeared in 1961, with an initial print run of only 6,000, the whole collection has totted up sales of 180m.

What, then, is the secret of Asterix's success? Many of the answers are to be found in the latest story. This time, Asterix sets off with Obelix and Cacofonix, the village bard, with a fakir on a magic carpet to India. The story has a strong flavour of the tales of Sherazade (hence the pun *Chez Rahazade*) and the Thousand and One Nights as well as Around the World in Eighty Days and countless other exotic adventures.

Asterix's mission in the new album is to save the beautiful princess Rahazade from the clutches of a wicked guru. Like the previous stories, the adventure draws heavily on the Gallic characteristics of its heroes and their archetypally French chauvinist reaction to foreign surroundings. All this comes with a healthy dose of puns and gags, against a background drawn freely from all the cliches of the Orient.

It is undoubtedly the Frenchness of Asterix which is the main reason for the comic strip's steady and continuing appeal. After all, you do not have to travel back to 50BC to find characters like Asterix and Obelix. You still see them every day in France driving their Renaults, wearing their berets, eating garlic and baguette and drinking wine and Ricard, cursing their concierge and all foreigners. It is no accident that the heroes of Asterix possess a magic potion which makes them invincible and that Obelix's favourite line is: "They are crazy" – meaning those Romans, Britons, Belgians or anyone who is not French.

Rene Goscinny and Albert Uderzo conceived the Asterix idea for a magazine called Pilote launched in 1959 to counter the American comic strip invasion. They wanted, above all, to create a French character, explains Philippe Durand, publishing director of Edition Albert Rene, which now publishes the Asterix books.

"There have been all sorts of theories to explain the phenomenon. The Frenchness of the characters, bringing out the best and the worst in the Gallic character, is one reason. After all, Asterix and his companions are a peaceful community who want to be left alone to lead their lives and fight against the interference of the state, in this case the Romans."

Some academics even find a historical explanation for the success of the strip – Asterix was born in the golden years of General de Gaulle's "La France". But Mr Durand acknowledges that this does not account for the impact elsewhere in the world. Today Asterix is up with TinTin, easily in the lead of the European comic strip league. The biggest markets for Asterix are France and West Germany which each account for a third of sales.

"Perhaps another reason for our success is our wide appeal, stretching from children to adults of all ages," says Mr Durand. Just as TinTin has sold itself on the formula of appealing to seven to 77-year-olds, the publishers of Asterix say their albums appeal to nine to 99-year-olds.

Asterix is one of the smallest but most successful multinational ventures in the world. After the death in 1977 of Goscinny, who originally wrote the text, his partner Uderzo decided to continue the saga of the little Gaul, taking on the writing as well as the drawing. He formed Edition Albert Rene as an independent company devoted entirely to Asterix. Headquartered in a flat in the Avenue Victor Hugo in Paris, the company has gone on to break new ground.

The latest book, for example, was launched simultaneously in 16 countries – a publishing first. Moreover, the huge translation task involves the particular headache of how to preserve the Gallic character and style.

The title alone of the latest book stretched the translators' imaginations. "We simply could not translate the French pun Chez Rahazade into other languages," says Mr Durand. Thus in the UK, the book will appear under the title of Asterix and the Magic Carpet.

Puns often pose problems. The name of every character is a play on words. Cacofonix the bard is Assurancetourix (comprehensive insurance policy) in the original French and Vitalstatistix, the village chief, is Abraracourcix (short arms) in French. The princess Rahazade becomes princess Orinjade in English and her companion Seurhane will be called Lemuhnade. The fakir called in French Kicah (Who) will be more faithfully translated as Watziznehm.

But while the books (28 adventures have so far been published) remain the principal activity of the publishers, the company has also branched out into other fields. Asterix has become a film star. His latest release even beat Rambo at the West German box office.

The latest venture is the construction of a FFr700m (£69m) Asterix theme park in Picardy. Due to be completed in the spring of 1989, in time for the bicentennial celebrations of the French Revolution, it will have a three-year start on the Eurodisneyland to be sited outside Paris. Asterix will thus have another chance to come to the rescue of Gallic culture in the face of a new American offensive.

Paul Betts

Letters to the Editor

Crockford's Preface

From Mr Peter Wood.

Sir, John Lloyd's interesting analysis of the Crockford's Preface (December 10) focuses – as does the Preface itself – on Anglican liberalism understood as a "*Kidglove-Cocksure*," unprincipled approach to theological and pastoral issues.

However, for non-Anglican outsiders, what Dr Bennett's Preface is describing for much of the time is a curious blend of classical, conservative, political behaviour with a variety of characteristically English forms of social affectation – something that in Dr Bennett's essay seems to me to merge or even to be confused with liberalism.

The clearest example occurs in Dr Bennett's admittedly controverted account of the operation of the Crown Appointments Commission – "the complex power game... played out with momentous consequences." What Dr Bennett makes clear is the lack of any rationale to the selection process and the way instinct and habit dominate at the expense of explicitness. "It is never made clear how the names are arrived at, nor how far it (the list of names of candidates for the episcopate) has previously been discussed with the archbishops", etc.

As a churchman once remarked to a friend of mine who asked him innocently how bishops came to be bishops: "It's something indefinable called breeding;" adding, with a dismissive glance at my friend: "You either have it or you haven't."

The phenomenon is easily recognisable in Dr Bennett's description of the influence of the House of Bishops, based – he says – on "deference, patronage and self-recruitment." I suspect, but may be wrong, that liberalism is not "fearful of asserting authority," as John Lloyd suggests, "because to do so would unmask it," but because instinct, habit and the confident expectation of deference, make it unnecessary to do so.

Peter Wood,
Newbold Farm,
Duntisbourne Abbots,
Cirencester, Gloucestershire

Record rights need protection

From the Managing Director of RCA Records.

Sir, In addition to the inadequacies of the proposed reform to the Copyright Bill in respect of the absence of a tape levy and the right of record rental control, the UK record industry finds itself having to fight a rearguard action in protecting its rights against the proposed changes in the Broadcasting Act.

Perhaps it is time to register the scope and scale of the industry which is threatened in this way. In 1985 the UK record industry generated £2.15bn – and estimated invisible export earnings of £395m. (These figures take no account of earnings other than those derived from the sale of records and tapes.) It employs 26,000 people – directly and indirectly, mostly on the retail side. It is a world leader in generating copyright success in the world market: although it represents only 6 per cent of the world market, about 25 per cent of world sales are UK-owned.

The music industry – which remains in some circles an *enfant terrible* of the leisure industry – is a mature, efficient and competitive business on a worldwide basis. It accepts the accelerating pace of technological change in music carriers like Compact Disc and DAT, as well as the potential explosion in broadcast and narrowcast media. All it asks is that these new businesses are not built at its expense.

John Preston,
1 Bedford Avenue, WC1

Some things do not change

From Mr C.S. Guest.

Sir, As one of the original readers of *The Dandy*, Raymond Snoddy's article (November 28) on the 50th anniversary of that comic filled me with nostalgia.

As a matter of interest I did some research to see what else was going on at that time. Reporting in the *Manchester Daily Despatch* on December 9 1937, Commander Stephen King-Hall wrote:

"Week by week the curves of economic activity in the United States sag downwards and the values of securities fall. Such is the influence beyond the US of her economic activity or stagnation that when Wall Street is in collapse, the values of English industrials in London sag heavily, even though the companies concerned are showing increased profits. This remarkable and irritating fact is simply a proof of the realisation by London of the serious consequences to the whole world which would be inevitable if the US were to decline into a big slump."

Like Desperate Dan, some things don't change.

C.S. Guest,
30 Longmead Avenue,
Horfield,
Bristol

A demand made with menace

From Michael Spinks (12½)

Sir, If Mr Thomson is giving a party for Desperate Dan next year ("Half a century of The Dandy and The Beano," November 28). I think we should also have one for Dennis the Menace. Someone will make a cake. Every Dennis fan could donate fifty something, maybe pounds for a children's charity, and it would help people as well as be fun.

Michael Spinks,
Tantons,
Leesons Hill,
Chislehurst, Kent

There are other ways of keeping the lights on

From Mr Alex Henney.

Sir, I should like to correct some misleading impressions given by Mr John Baker, managing director of the Central Electricity Generating Board, in his article "How best to give power to the people," where he argued that we should keep the CEGB intact.

First, it is not correct that "consumers in England and Wales pay less for electricity than most of those in the US." In 1986 the average domestic tariff in the UK was 5.62p/kWh compared with 7.79c/kWh in the US, which is 5.19p at £=$1.5 or 4.58p at £=$1.7.

Second, it is not correct to state that there has not been separation of the transmission grid from generation in any country. The now defunct Central Electricity Board was created in this country in 1926 to construct the grid, to run it, and to rationalise and dispatch the generating plant owned by a couple of hundred utilities. The Board coped with the Second World War, the postwar generation and fuel shortages, and the winter freeze of 1947. Given the condition then of the generating stock, these were greater achievements than coping with the recent hurricane (a problem dealt with every year by the disaggregated US system) and the miners' strike, both of which Mr Baker mentions as an alleged benefit of the CEGB's integrated system.

In making these points – and insinuating that separation is more likely to lead to "voltage collapse and blackouts" – Mr Baker is trying to scare an ill-informed public and timid politicians into a conviction that the lights will go out without the CEGB. (I wonder how many people realise that we only had a miners' strike because we have a national monopoly CEGB supplied by a monopoly British Coal which in turn was exploited by a monopoly union.)

The claim that the "tight margin of spare capacity of 24 per cent (among the lowest in the industrial countries)" is a benefit of the CEGB's integrated system is one of the most misleading of the assertions the CEGB is repeatedly making. In the 1970s the CEGB's margin was 42 per cent, and would have been much higher if it had had the competence to be able to build plant in anything approaching planned time. It has only got down to 24 per cent by decommissioning 12500MW of plant (more than 20 per cent of what it owned) this decade.

Some of that plant is economic to operate at current coal prices, would have been retrofitted in the US or Sweden, and some of it was probably scrapped to help make the case for Sizewell. Having decommissioned this plant, the CEGB is also trying to scare us that we need to build 12,000-13,000Mw by the end of the century. It is insinuating that no other body is likely to be able to build it, so it should continue to exist. We live in an odd world where an entity justifies its continued existence as necessary to rectify its past mistakes.

Finally, it is not correct to say that the US is setting out on paths that the CEGB first explored 50 years ago. In New York State there is an integrated power pool between the seven private, one state-owned, utilities. The pool was set up after the blackout in 1966. It does all that the CEGB's much vaunted integrated system does: its planned surplus margin of 18 per cent is *lower* than that of the CEGB; and its computerised dispatch system is more advanced than that of the CEGB (which was severely criticised by the Monopolies and Mergers Commission earlier this year for taking twice as long and spending £95m to develop a system budgeted at £19m).

Currently, both the Federal Energy Regulatory Commission and Congress are conducting hearings into how *further* to develop competition which is increasing apace. Last August the Wall Street Journal carried a series of articles on "Shopping around for a better electric buy." In a keynote speech last June the chairman of the Edison Electric Institute, the trade association of the private utilities, looked to the future under the heading "Take it or cleave it," which he noted means "split into groups having divergent views."

He observed that once "regulators and customers realise the magnitude of possible cost savings from vertical disaggregation and competition" there would be more competition based on seperate distribution companies, transmission companies, and generating companies. The last thing the US is seeking is what the officials of the CEGB want to become, namely, the largest under-regulated cost plus private electric monopoly in the world.

Alex Henney,
38 Swains Lane, N6

FINANCIAL TIMES

Friday December 11 1987

Tokyo trading volume slides 60%

BY CARLA RAPOPORT IN TOKYO

THE VOLUME of shares traded on the Tokyo Stock Exchange in November plummeted by more than 60 per cent compared with the previous month as a result of the October collapse in equity prices.

While Japanese stockbrokers remained confident yesterday that the volumes would recover in the new year, the figures underline the non-committal attitude of most of Japan's large institutional investors in the wake of the crash.

From 24.5bn shares traded in October in Tokyo, volume fell to *just 9.7bn in November, the lowest* figure for nearly two years.

Share prices in Tokyo, now the largest stock market in the world by capitalisation, have fallen significantly less than other leading equity markets since the crash. From its all-time high in October, Tokyo had fallen only 15.2 per cent at the end of last week, compared to falls of about 35 per cent in the US and UK markets.

As a result, many foreign analysts expect Tokyo to fall further, setting off another round of declines in equity markets.

Japan's leading stockbrokers, however, refuse to go along with this theory. Nomura, the largest broker, whose trading volumes also shrank by nearly 60 per cent last month, believes that volume should recover in the new year. The company said yesterday that it had no plans to reduce its costs, although it, like others, expects the pace of its overseas growth to slow.

It is understood that continued low volumes could force a number of long overdue mergers among the many smaller Japanese securities houses.

In the meantime, the loss in volume in Tokyo has put extra pressure on foreign securities firms seeking seats on the Tokyo Stock Exchange. The TSE is expected to grant 22 new seats on the exchange next week, 17 of which are thought likely to go to foreign firms.

Some of the firms are in a tight spot, as they have lobbied hard for the listing with the Japanese authorities. Earlier this year, the issue became a point of bitter bilateral tension between the UK and Japan, as well as the US and Japan.

Since the fall in equity prices, however, some of the applicants are not as keen to spend the extra money to become a member of the exchange. Although membership allows for higher margins on trading, its benefits are not high enough to outweigh the costs in the short term.

Mr Michael Connors, general manager of Barclays de Zoete Wedd in Tokyo, said yesterday that a seat would cost his firm Y400m ($3m) a year in running costs as well as Y1.13m for the membership fee. He reckoned BZW would have to trade an additional 350,000 shares a day to cover the costs of the seat.

"In general terms, it would not *be worth it for a while," said Mr* Connors. Because of the crash, he said, it would take longer to make a new membership pay off.

Big Four review overseas growth, Page 34

France acts to boost savings and shares

BY PAUL BETTS IN PARIS

MR EDOUARD BALLADUR, the French Finance and Economy Minister, announced yesterday a package of measures to stimulate savings in France and encourage small shareholders to continue investing in the stock market despite their growing disenchantment with the bourse as a result of the recent crash.

The measures include additional fiscal incentives for individuals who invest in retirement saving plans known as the Plan d'Epargne Retraite (PER) and the extension of the equity savings plan known as the Compte d'Epargne en Action (CEA).

Small shareholders in recently privatised French groups will also not have to pay next year the fees banks normally charge to customers for holding their shares on deposit. Mr Balladur said the banks and the privatised groups were now discussing how to share the burden of these costs between them.

The package also includes measures to enhance and protect the interests of small shareholders by enabling them to exercise their voting rights by post and to group themselves together should a number of small shareholders decide to take legal action against a company.

New French legislation is aimed at restoring small investors' confidence in the bourse, shaken by the recent crash

Under the latest package,the maximum amount individuals investing in retirement savings plans (PER) can claim against their income taxes has been raised from FFr12,000 to FFr16,000 for couples and from FFr6,000 to FFr8,000 for single persons.

Five-year equity savings plans (CEA), which were due to expire at the end of this year, have also been extended for an additional year by Mr Balladur. Under these plans, small investors benefit from a 25 per cent tax reduction on share purchases totalling a maximum of FFr14,000 for couples and FFr7,000 for individuals.

Mr Balladur said the new package was designed to help ensure the good functioning of the markets at a particularly delicate time for the bourse as well as stimulating long-term savings to respond to the long-term financing requirements of French enterprises.

Mr Balladur said yesterday that French shares had particularly suffered in the crash as a result of heavy sales of French equities by foreign investors. But the opposition Socialist Party and several independent market operators have also argued that the sharp fall in the French equity market has been exacerbated by the heavy volume of new paper placed on the bourse in recent months largely because of the government's extensive but now temporarily interrupted privatisation programme.

St Paul makes agreed bid for UK broker

BY NICK BUNKER IN LONDON

THE ST PAUL Companies, the US property/casualty insurer, last night ended years of speculation about its big equity stake in Minet Holdings, the London insurance broker, by launching an agreed takeover bid valuing the British group at about £400m ($720m).

St Paul has just under 26 per cent of Minet, which ranks about sixth among London's broking houses. It is offering 475p a share in cash for the remaining 74 per cent. There is also a loan note alternative of 475p.

Mr Ray Pettit, Minet's chairman, said the offer was "an excellent move from Minet's viewpoint." It comes at a time when a weak US dollar and a sudden downturn in many US insurance premium rates are putting heavy pressure on the profit margins of big UK insurance brokers.

If completed, the deal will make St Paul the first insurance company to take control of a Lloyd's of London broker. St Paul said it had a strategy of diversifying into broking and investment banking as a way of protecting itself against the US insurance industry's underwriting cycles.

Ranking in the top 15 US p/c insurers, St Paul is unusual in that it already owns Swett & Crawford, a Los Angeles-based "excess and surplus lines" insurance broker. But broking made up for only about $5m of its estimated $280m pre-tax profits in the first nine months of 1987.

However, there are three big question marks over the bid's chances of succeeding.

The first is that Lloyd's conventions forbid an insurance company from owning more than 26 per cent of a Lloyd's broking group such as Minet.

On November 19, however, Lloyd's published a consultative document on broker regulation proposing that the 26 per cent rule should be abandoned. Takeover talks between St Paul and Minet began about 10 days ago with an approach from the American side. The timing was "coincidental," said Mr Bob Haugh.

St Paul's bid is conditional on Lloyd's granting its consent to the deal. Mr Peter Miller, chairman of Lloyd's, was informed of the bid talks three days ago, Mr Pettit said.

Lloyd's said last night, however, that it could make no decision about the fate of the 26 per cent rule at least until after January 22, the end of the consultation period on its broker regulation proposals.

The second question surrounds the attitude of New York-based Corroon & Black, the insurance broker, which holds 29.9 per cent of Minet. Corroon has not been consulted about the offer, Mr Pettit said.

A third point is that in the US there is uncertainty over the intentions of Alleghany, an insurance group which holds 8.4 per cent of St Paul. Hearings are due to begin soon before insurance regulators there about whether Alleghany can go ahead with plans to raise its stake to at least 15 per cent and possibly to 24.9 per cent.

See Lex

Eurotunnel shares tumble on first day of dealing

By Richard Tomkins

SHARES in Eurotunnel, the Anglo-French company which is building the Channel tunnel, took a nosedive on their first day of dealing on the London and Paris stock markets yesterday.

Prices opened at 284p, roughly in line with expectations, but quickly tumbled as a wave of selling sent the shares reeling to close at 250p, a full 100p below the offer price.

For the UK underwriters, the Eurotunnel issue is the second on which they have taken a battering in the past few weeks.

At the end of October, they took heavy losses on the British Petroleum issue, where the partly-paid 120p shares ended their first day at 85p – also a 29 per cent discount.

Eurotunnel's shares had been expected to perform badly in early dealings because of the poor response to the company's offer for sale, in which 20 per cent of the issue was left with the underwriters.

But the collapse in the price yesterday appears to have been worse than feared because a lack of interest among potential new buyers coincided with a heavy sell-off by underwriters and shareholders - who had taken part in earlier private placings of Eurotunnel equity.

Japanese investors were also rumoured to have been heavy sellers of the stock.

The day's volume in the London market was estimated at 40m, which, because of the market system of counting both buyer and seller, suggests that 20m out of Eurotunnel's 220m shares changed hands.

There was stronger buying interest in Eurotunnel's warrants, 10 of which entitle the holder to subscribe for one Eurotunnel share for 460p between 1990 and 1992.

These closed at 12½p, reflecting enthusiasm from buyers who see them as a low-cost punt on the chances of Eurotunnel's share price eventually taking off.

The size of the discount on Eurotunnel's shares will have little practical effect on the Channel tunnel project itself because the company has received the full £770m ($1.4bn) proceeds from the offer for sale - less an estimated £68m which will have to be paid out to the advisers and underwriters on both sides of the Channel.

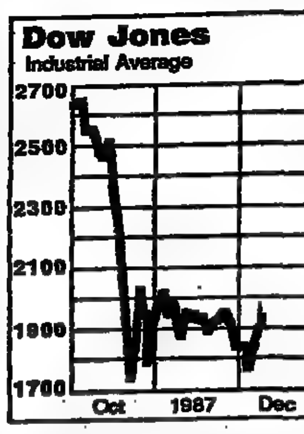
London stock exchange report, Page 48

THE LEX COLUMN

Too healthy for comfort

The London equity market's reaction to yesterday's dreadful US trade figures was curiously uncertain: first a 70-point collapse in the FT-SE100 index, then a bounce which recovered half the fall. The rationale appears to be the by now familiar dithering between fear of recession and fear of inflation. If the US could carry on sucking in imports at this rate through October, the economy is plainly still robust. Indeed, the Japanese trade figures, also published yesterday, showed a further slight rise in Japanese exports to the US in November.

The optimist's line on this is that it should give more scope to the US authorities to slow the economy down without precipitating recession. If it is necessary to shade growth back by a point or two, far better to start from say four per cent growth than two. On the other hand, the markets are now braced for another downward lunge in the dollar, if only because official intervention yesterday was modest in scope and failed to stop the currency hitting new lows. From the UK market's viewpoint, this could prompt another round of weakness in dollar-earning stocks and corresponding emphasis on domestic earners.



On the wider stage, the worry now is that fear of inflation will get the upper hand. The US long bond fell an initial one and a half points yesterday, in a rational enough response to the strength of domestic demand and the weakness of the currency. Much more of this, and our old friend the reverse yield *gap could make a reappearance.* Its recent narrowing to more sustainable levels, after all, was due as much to rising bonds as falling equities. If the switch from recession-fear to inflation-fear does take hold and bonds start to fall in earnest, it would be prudent not to wait around for equities to follow suit.

BA/BCal

The speed with which British Airways has increased its offer for British Caledonian is a measure of the seriousness with which it is taking the SAS challenge, and suggests that it is fearful that the CAA might be softening its apparent hostility to the SAS approach. The fact that BCal has not been making any money for several years and faces serious financial problems should not be allowed to disguise the fact that it is a prize which both SAS and BA would dearly love to carry away, and this means that there may still be room for further horse-trading.

Although the potential cost savings that BA could produce from a BCal takeover in the forthcoming financial year may be delayed because of the difficulties of combining the two airlines ahead of next Summer's busy season, analysts are talking of eventual annual savings of upwards of £50m which could more than offset next year's expected decline in BA's pre-tax profits. A cash bid would increase BA's debt as a percentage of capital employed from 35 per cent to 55 per cent say, but this should be manageable.

Meanwhile, SAS also expects to make similar sorts of cost savings, by rerouting traffic through Gatwick for example, and this explains its bullishness about the prospective improvement in BCal's profits and financial position. Unlike BA, it is confident that a £50m capital *injection into BCal is sufficient* to tide the airline over the worst. A recapitalised BCal, with an estimated net worth of £150m and borrowings of £350m, should still be able to shoulder the heavy financial committments of the new aircraft joining the fleet over the next few years. Although the SAS offer still looks the better of the two, BCal's shareholders may prefer BA's cheap offer for its simplicity, *provided some sort of agreement* can be hammered out on redundancies.

St Paul/Minet

It is not even legal yet; but St Paul is determined to become the first insurance company from either side of the Atlantic to take over a Lloyd's broker. Draft proposals to change the way Lloyd's brokers are regulated – including the lifting of a prohibition on such takeovers – will be out for consultation until early in the new year. Either St Paul had a nod and a wink from the Lloyd's Council to indicate that the new rules will come into force unaltered, or it simply felt it could not wait.

The rather fancy pricing of the offer, which values Minet at over 17 times historic earnings, suggests *an element of the latter:* St Paul is facing a hostile threat from one of its own shareholders, Alleghany, and it is difficult to escape the conclusion that yesterday's bid was in part defensive. But it is not without logic for all that. The Minnesota company is already a major presence in US insurance broking and had 26 per cent of Minet before the bid; the acquisition would give it a suitably mid-Atlantic feel. And with the shadow of PCW well and truly lifted after last summer's settlement, Minet looks a strong contender in a still difficult market.

St Paul will be arguing, too, that no conflict of interest is involved given that Minet's businesses and its own overlap little – although clients will be forgiven for maintaining their reservations. There is little sign, however, that what makes sense for St Paul will make sense for others; St Paul's lead in building up a US broking operation has not been followed by others and Minet, too, is likely to prove a one-off deal rather than a trend.

Sears

Yesterday's confirmation of the brothers Al-Fayed as the new owners of 10 per cent of Sears has left some London arbitrageurs with burnt fingers. As it sunk in *that the sale of Robert* Holmes a Court's stake was not after all likely to precipitate a bid, the shares lost virtually all the 11 per cent gain of the previous day.

The market is not necessarily implying that the Al-Fayeds could not afford the £2bn or so required for a full bid. Indeed, so little is known about the brothers' resources that it would be unwise to make any assump*tions about them at all. It is* rather that an overseas owner of Harrods, D H Evans and Barkers stores would have difficulty in gaining control of Selfridges as well. The assertion that the stake is a friendly investment may for once be taken at face value. If further motive were needed, it is worth reflecting that if the Al-Fayeds need allies against the tireless Mr Tiny Rowland, they could do worse than take a benevolent interest in a company which has on its board both Cecil Parkinson and Norman Tebbit.

Pakistan builds second plant to enrich uranium

BY SIMON HENDERSON, RECENTLY IN WASHINGTON

PAKISTAN is building a second uranium enrichment plant at Golra, six miles west of Islamabad, according to western reports. It already has such a facility at Kahuta, south-east of the capital.

The Golra plant, which is not yet operational, further complicates Pakistan's relations with the US, its principal backer in the confrontation with the Soviet Union in neighbouring Afghanistan. Funds from a new $4.02bn five-year aid programme were stopped in September in an atmosphere of suspicion about Pakistan's nuclear programme.

US satellites have watched the construction of the plant at Golra over several months. Land was cleared, and a thick concrete floor laid to act as a stable floor for the high-speed centrifuges which enrich uranium by separating out the rare fissile isotope, uranium-235.

A centrifuge hall has now been assembled but Western diplomats say the several thousand centrifuges needed have not yet been installed. Pakistan has two centrifuge halls at Kahuta, 20 miles south-east of Islamabad.

Pakistan has been attempting to buy specially toughened maraging steel from many parts of the world but its export is controlled. The trial of a Pakistani-born Canadian, accused of trying to smuggle maraging steel from the US, began in Philadelphia this week. His arrest earlier this year was instrumental in causing the aid cut-off.

Uranium enriched to 5 per cent can be used in civil power reactors. The Pakistanis say this is the purpose of the Kahuta plant, although Pakistan has only one nuclear power reactor and this uses natural uranium fuel. US intelligence reports say that Pakistan has enriched uranium to 90 per cent, suitable for nuclear weapons, at Kahuta.

The Pakistan embassy in London said the reports about a plant being constructed at Golra were baseless. Dr Abdul Qader Khan, who is in charge of the Kahuta plant, denied by telephone there was a nuclear facility at Golra.

Western diplomats, who say the Golra facility makes precision-shaped metal components for atomic bombs, say that one of Dr Khan's responsibilities, the precision engineering division, has been at Golra for several years.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	11	52	Dubrovnik	F	9	48	Malta	C	18	64	Rhodes	F	20	68
Algiers	F	16	61	Edinburgh	C	3	37	Manchester	C	0	32	Rio de J'o	C	35	95
Amsterdam	C	5	41	Faro	R	17	63	Manila	C	31	88	Rome	S	8	46
Athens	S	18	64	Florence	S	7	45	Melbourne	S	24	75	Salzburg	F	-4	25
Bahrain	F	21	70	Frankfurt	C	-4	25	Mexico City	C	24	75	San Francisco	C	17	63
Bangkok	C	30	86	Funchal	C	19	66	Miami	C	25	77	Seoul	C	9	48
Barcelona	C	10	50	Geneva	C	-1	30	Milan	S	5	41	Singapore	R	27	81
Beirut	C	18	64	Gibraltar	F	17	63	Montreal	C	6	42	Stockholm	F	4	39
Belfast	S	-2	28	Glasgow	S	2	36	Moscow	F	-11	12	Strasbourg	S	-4	25
Belgrade	Sn	-3	27	Guernsey	S	2	36	Munich	S	-5	23	Sydney	C	28	82
Berlin	C	2	35	Helsinki	Sn	-6	21	Nairobi	S	24	75	Taipei	R	19	66
Biarritz	F	6	43	H. Kong	S	20	68	Naples	F	13	55	Tangier	F	16	61
Bombay	S	32	90	Innsbruck	C	-2	28	Nassau	R	23	73	Tel Aviv	F	25	77
Bordeaux	C	2	36	Inverness	F	4	39	New Delhi	S	22	72	Tenerife	F	21	70
Brussels	F	1	34	Islamabad	S	23	73	New York	S	16	61	Tokyo	F	15	59
Budapest	S	-1	30	Istanbul	R	9	48	Nice	F	12	54	Toronto	R	13	55
B. Aires	S	26	79	Jakarta	R	33	91	Nicosia	R	18	64	Tunis	C	15	59
Cairo	S	27	77	Jersey	S	1	34	Oporto	R	15	59	Valencia	F	14	57
Cape Town	F	22	72	Jo'burg	F	28	82	Oslo	S	9	48	Venice	S	3	37
Caracas	C	27	81	Lima	S	25	77	Paris	S	-2	28	Vienna	S	-3	27
Casablanca	S	17	63	Lisbon	R	16	61	Peking	S	0	32	Warsaw	Sn	-1	30
Chicago	R	15	59	London	S	6	43	Prague	C	-4	25	Washington	S	8	46
Cologne	C	-2	28	Los Angeles	S	20	68	Reykjavik	C	7	45	Zurich	C	-5	23
Copenhagen	C	7	45	Luxembourg	S	-2	28								
Corfu	F	16	61	Madrid	R	9	48								
Dallas	C	4	39	Majorca	C	14	57								
Dublin	S	7	45	Malaga	C	14	57								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Rush to meet Gorbachev

Continued from Page 1

lending enviously, especially when they look at their own battered developing-country loan portfolios. Moscow's demand for credits is based in part on its trade problems stemming from the fall in oil prices and the fall in the value of the dollar.

But if Mr Gorbachev is to succeed in modernising the Soviet economy and integrating it more into the world economy and world financial markets then a vast new international banking market will also open up in addition to whatever business US banks are able to do with their American corporate clients who are eyeing the trade and joint venture prospects in the Soviet *Union.*

From a macro-economic point of view too, Washington has a national interest in the Soviet market. As Mr Berger pointed out in his testimony, trade with the Eastern Bloc "provides important outlets for our agricultural products and our manufactured goods at a time when both sectors are seeking to regain the levels of output and capacity utilisation which they achieved before the last recession. It helps US economic growth and US employment."

Yesterday's merchandise trade figures serve as a reminder of how pressing these policy considerations are, and the Administration is firmly encouraging business to take advantage of the political rapprochement which seems to be underway.

Nobody needs to remind American businessmen that such a rapprochement is an essential precondition for improved commercial relations, but not necessarily a sufficent precondition.

As President Richard Nixon and Mr Leonid Brezhnev pursued detente in the early 1970s, the US corporate community was also savouring the prospect of increased business and profits. That was until Congress intervened with the passage of the Jackson-Vanik Amendment in 1973, which linked improved trade relations to increased Jewish *emigration.*

The net result, says one Congressional expert on Soviet affairs, was that just as the momentum behind the commercial aspect of detente was gathering pace, the political barriers to American participation in growing East-West business began to rise. Japanese and European companies began to reap what Washington was sowing, even picking up deals which American companies had been carefully working towards for years. Washington is determined this should not happen again.

Which brings us to the purpose of Mr Berger's testimony and the pressure being put on Mr Gorbachev this week by US Congressmen to do more on human rights, in spite of the Soviet leader's evident irritation at what he sees as hypocritical moralising by the US.

The Jackson-Vanik Amendement still stands. The trade bill *contains legislation which could* also make East-West trade relations more difficult, and the thorny issue of export controls on sensitive Western technologies has yet to be resolved in ways which will facilitate, not inhibit, trade.

In addition, conservative Congressmen, including Representative Jack Kemp, are pressing for new legislation which would restrain US bank lending to the Communist bloc.

The Wall Street Journal this week offered a typically anti-Soviet editorial on the subject entitled Going into the Red, which argued that Western banks were helping Mr Gorbachev solve the Soviet Union's economic problems and urged that credit flows to the Soviets be retrained on both economic and strategic grounds.

American businessmen and their prospective partners in Moscow know that boldly publicising the mating ritual they are going through at this early stage will do more harm than good to their mutual goal of increased business, even though the influence of the conservative right is waning.

US trade figures bring dollar lower

Continued from Page 1

FT-SE 100 share index fell signif*icantly and recovered slightly* by the close to end 19.7 points down at 1,619.6. The FT Ordinary share index closed 12.6 down at 1,285.0.

The dollar continued to languish at post-war lows against the D-Mark and the yen in New York. It closed at DM1.6325, Y129.05, SFr1.33225 and FFr5.5460.

US Treasury bond prices had plunged by nearly two points by midsession. The yield on the Treasury's *benchmark 30-year* issue jumped to 9.39 per cent, its highest level since October 21, two days after Black Monday and before the US Federal Reserve started pumping emergency liquidity into the banking system.

The US bond market has become increasingly concerned about the possibility of an uncontrollable fall in the dollar which would force the US Federal Reserve into tightening *monetary policy.*

At the heart of uncertainty in the foreign exchange and bond markets is the belief that the US Treasury is happy to use a falling exchange rate to force concessions from West Germany and Japan on stimulating their economies.

Currencies, Page 41; London Stock Exchange, Page 48; World Stock Markets, 49; Back Page, Section II.

FINANCIAL TIMES
Friday December 11 1987

Pan Am agrees to merge airways side with Braniff

BY RODERICK ORAM IN NEW YORK

PAN AM has agreed in principle to merge its Pan American World Airways subsidiary with Braniff, but the deal hinges on Pan Am's unions making sharp pay concessions.

Pan Am's board, in effect, gave its four unions the deciding role after the directors split bitterly over the struggling company's best course. The unions are also divided, so resolution of the conflict is likely to be hard, particularly by the December 22 deadline demanded.

Mr Edward Acker, chairman, wants to spin off the main airline subsidiary to Braniff but keep the remaining assets in Pan Am Corporation which would become closely held.

The main assets are its profitable Boston–New York–Washington shuttle, Pan Am Express commuter airline and Pan Am World Services which provides airline consulting and support services. In a series of long and acrimonious board meetings this week, Mr Martin Shugrue, vice-chairman, argued for keeping the holding company intact with the help of staff pay concessions.

He succesfully lined up support from the pilots and flight engineers who broke ranks with the union coalition to pledge $55m in pay cuts. It looks as though Mr Acker has won the argument for now by achieving the tentative pact with Braniff, a struggling airline bought in 1984 by Mr Jay Pritzker, a Chicago businessman whose family has huge hotel and other interests.

The unions have two alternatives. They can can agree to Mr Pritzker's demands for $200m of concessions, including $70m from pilots and flight engineers, over four years to allow the merger to go ahead.

Ownership of the merged airline would be split three ways. Pan Am employees would own 13 per cent to 20 per cent, Braniff's former shareholders 25 per cent to 32 per cent, Pan Am, revamped as a private company led by Mr Acker, would hold 55 per cent.

However, if the Pritzker talks fail, the unions could fall back on a proposal from Pan Am's existing management for $180m of concessions over the next four years to keep the company together in exchange for a minority stake in Pan Am. The offer dates from January 1986, but is still on the table, the company said yesterday.

CENTRAL BANKS ENDORSE PROPOSALS FOR MINIMUM CAPITAL REQUIREMENTS

BIS move to aid banking system

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

PROPOSALS for common minimum capital requirements for banks in the industrialised world were published yesterday by the Bank for International Settlements (BIS) and major central banks.

The plans aim to strengthen the international banking system and to "level the competitive playing field" between banks in different countries, said Mr Peter Cooke, chairman of the BIS committee which produced them.

They were endorsed by central bank governors at a meeting in Basle this week.

Banks in 12 countries - the 11 countries which make up the Group of 10 leading industrialised countries, plus Luxembourg - will be expected from the end of 1992 to maintain capital equal to at least 8 per cent of their assets, weighted according to risk.

Transitional stages have been set: from the end of 1990, there will be a 7.25 per cent minimum but the components of capital will not be as strictly defined as in the eventual rules.

Banks will have six months to discuss the plans with their supervisors. Officials said yesterday that they would adopt a middle course between prescribing and negotiating the proposals.

Despite the Basle agreement, there remain important points of difference between individual countries, particularly on what banks are allowed to count as capital.

These will be subject to further discussion during the transitional phase.

Mr Brian Quinn, head of supervision at the Bank of England, said most British banks would have no difficulty in meeting the initial 7.25 per cent requirement.

However, UK bankers said many banks in other countries, such as France, Japan and the US, would have to build their capital in the next few years.

The latest agreement follows years of talks which were given impetus last year when the US and UK agreed independently of the other countries to seek convergent capital standards.

The BIS talks have been running concurrently with similar plans for convergence within the European Community.

Central bankers were careful yesterday to stress that they have been keeping in close contact with the European Commission and that they hoped the two sets of requirements would be similar

Of the 12 countries - Belgium, Canada, France, Italy, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, West Germany, the UK and US - seven are also EC members.

Details, Page 34

Bear Stearns sues Jardine for pull-out from pre-crash deal

BY ANATOLE KALETSKY IN NEW YORK

BEAR STEARNS, the large Wall Street brokerage house whose shareholders have been among the biggest casualties of the October stock market crash, yesterday sued Jardine Strategic Holdings for pulling out of a pre-crash agreement to buy a large stake in Bear Stearns.

Jardine, a large investment and trading company most of whose activities centre on Hong Kong, offered to buy 20 per cent of Bear Stearns for $23 a share, or $389m, on September 30. It began a tender offer to acquire the shares on October 6, just over a week before the stock market collapsed.

The company withdrew its offer shortly after the crash, as Bear Stearns disclosed that it had suffered big losses, primarily in connection with its arbitrage and margin lending activities.

Since the crash and the withdrawal of Jardine's partial bid, Bear Stearns' shares have plunged to new lows almost weekly. Yesterday morning they traded at $9⅝, $½ down on the day and 60 per cent below the value of the Jardine offer.

Yesterday's lawsuit alleges that Jardine's tender offer was wrongfully terminated and breached a binding agreement which the two sides reached on September 30.

It seeks unspecified damages for the company's shareholders, who include a limited partnership of Bear Stearns employees, which owns 45 per cent of the stock.

Since the October crash, many companies have terminated tender offers and takeover bids and it was not clear yesterday why Bear Stearns considered it had a chance of success in its lawsuit.

Some analysts fear that the suit might be a sign of desperation by the brokerage company. The sale of shares to Jardine was intended to increase the capital available to the company, one of the few big firms remaining on Wall Street without a large and well-capitalised partner or shareholder.

Since the crash, Bear Stearns' need for a capital injection has become even more urgent.

USX chairman remains bullish on profitability

By Our Financial Staff

USX, the US steel and energy group, remains bullish about its prospects, Mr David Roderick, chairman, said yesterday.

Repeating previous forecasts that USX would be profitable in the fourth quarter and would record improved earnings in 1988, he said firm oil prices and "rigorous steel markets" would contribute to the results.

"Our order book right now is higher than at any time in 1987," he said, and added that demand was strong across the board. "We are nearly sold out on certain products through the end of the first quarter."

Mr Roderick, however, declined to predict specifically what the profits for the fourth quarter or for next year would be. In last year's fourth quarter, USX lost $5.55 a share. This included a $1.5bn restructuring charge that led to a loss of $7.46 a share for the full year.

Analysts are predicting full year profits of between $1.15 and $1.30 a share in 1987, and between $1.75 and $2.80 in 1988.

PC groups dispel fears of downturn

BY LOUISE KEHOE IN SAN FRANCISCO

FEARS OF recession in the US personal computer industry were dispelled this week as manufacturers and retailers forecast record growth for 1988 and said sales had not suffered since October's stock market crash.

The personal computer market has been closely watched since Black Monday because some analysts suggested that retail and business sales of personal computers could be vulnerable to a spending slowdown.

A sales downturn could also have an impact on semiconductor and other parts suppliers, and software publishers.

At industry meetings in California and Boston, however, executives said their sales remained strong. Mr John Sculley, Apple Computer's chairman, forecast a 20 per cent growth rate for personal computer sales next year and said Apple would exceed that rate.

Ms Deborah Coleman, Apple's chief financial officer, said Apple was comfortable with analysts' forecasts of first-quarter sales of $925m to $980m, compared with sales of $662m in the Christmas quarter last year.

Tandy Corporation, another personal computer retailer, said it was selling 25 per cent to 30 per cent more computers in the current quarter than it sold in the same period last year. However,the increase was moderated by lower prices.

Businessland, a computer store chain, said it had not seen any slowdown in business over the past few weeks and expected sales to rise at least 25 per cent in the current quarter. Mr David Norman, chairman, said he had seen "no evidence of a slowdown."

Compaq Computer also said sales had been strong in the current quarter. "In the next several quarters Compaq has the opportunity for continued strong growth," said Mr Rod Canion, Compaq president.

For the first nine months of the year, Compaq sales rose 80 per cent to $791.9m.

Daimler-Benz Brazilian unit boosts forecast

By Ana Charters in Sao Paulo

MERCEDES-BENZ do Brasil, the country's leading bus and truck manufacturer, has estimated this year's profits at above US$70m on sales of $1.3bn, and unveiled plans to continue programmed investments over the next five years of $385m, up $100m on earlier plans.

The company has shown profits every year since its start-up in 1956, unlike most companies in Brazil's motor manufacturing sector. Sales were 30 per cent ahead of 1986 results in dollar terms.

The company's market share for trucks rose from 39 per cent to 43 per cent, while market share for buses reached 85 per cent, up four points. This was despite an overall decline in projected production of 50,000 units, down to 48,500, the same level as 1986.

Exports totalled $200m with 12,200 vehicles, up 63 per cent.

The US, the largest market for the company's trucks, is expected to buy fewer vehicles next year.

Sharp group to borrow $100m from Brazil bank

BY OUR SAO PAULO CORRESPONDENT

SHARP, one of Brazil's leading consumer electronics and information technology groups, is to receive a cruzado loan equivalent to $100m from the Banco Nacional de Desenvolvimento Economico e Social (BNDES).

The loan will be used to put the group on to a firmer financial footing, after it reported losses through September of Cr 2.4bn ($37.5m).

The bank, through a securities subsidiary, already holds 10 per cent of the shares in Sharp SA Equipamentos Electronicos, the holding company for the group, and is prepared to increase its minority shareholding.

The loan, described by Mr Andre Franco Montoro Filho, the vice-president of the BNDES, as within the bank's development policies, has sparked outcries of favouritism among federal legislators because of the close personal friendship between Mr Matias Machline, the group's chairman and major shareholder, and Brazil's President Jose Sarney.

Hamilton Oil stock rise anticipates BHP offer

BY JAMES BUCHAN IN NEW YORK

STOCK IN Hamilton Oil, the Denver-based group which is a leading independent North Sea producer, rose sharply yesterday, as Wall Street looked forward to a friendly takeover offer from Broken Hill Proprietary, the large Australian energy and industrial group.

Hamilton Oil said that BHP, which owns 49.6 per cent of the company, could increase its holding at any time, but only through a general offer to all the remaining shareholders. The two companies also agreed that BHP, which bought its block from Volvo of Sweden last month for $31 a share or $393m, must pay at least $31 for additional shares over the next six months.

Stock in Hamilton Oil, which has been an active and successful North Sea producer since 1975, rose $4½ to $20¾ in early trading yesterday.

Under the agreements between the companies, which were approved by the Hamilton Oil board, the price of a tender offer after six months would be set for 18 months by the company's outside directors. During these two years, BHP can name four directors to the Hamilton Oil board.

Hamilton Oil earned $11m or 35 cents a share on revenues of $267.2m in 1986, a depressed year for the industry.

Multitech buys US computer company

By Bob King in Taipei

MULTITECH GROUP of Taiwan has acquired Counterpoint Computers, based in California. The deal gives Multitech, regarded as one of Taiwan's most innovative computer companies, access to advanced multi-user computer technology and signals Multitech's entrance into the UNIX-based multi-user minicomputer market.

The acquisition involves a combination of cash and stock transactions, the exact terms of which were not disclosed. Multitech, founded in 1976 and now comprising nine companies including Counterpoint, has total assets of US$190m, and expects group sales this year to reach $300m.

In recent years, Multitech has aggressively marketed a range of microprocessor-based products, including computer systems, peripherals, communications devices, and publications. The company developed the first Chinese-language input system for use on micro and mini-computers – a system that was later incorporated by IBM into its 5550 series of character-based micros.

Multitech last year became the second company in the world to introduce a 32-bit, 80386-based micro-computer, which brought it the industrial design award from the Hannover Fair's CEbit exhibition.

Nick Garnett on the reshaping of world excavator production

Earthmoving becomes big business

THE ANNOUNCEMENT this week that John Deere of the US and Hitachi of Japan are to set up a joint manufacturing operation in North America to make hydraulic excavators is a logical extension of the two companies' four year old partnership.

Since 1983, Deere has been selling under its own name Hitachi-made excavators fitted with Deere engines for the North American market.

But this deal, which involves greater co-operation in marketing and product design, also underlines one increasingly important trend which is reshaping the world construction machinery industry.

During the past 18 months, a large number of companies manufacturing hydraulic excavators have been involved in mergers, takeovers or joint manufacturing deals.

In many cases, this reshuffling has centred on machine makers without an excavator in their product portfolio purchasing companies that are involved in the sector.

It has also involved excavator manufacturers joining forces with rival producers in order to strengthen their market position. In the biggest of these deals, Hitachi is linked up with both Deere and Fiat of Italy and is squaring up against the partnership forged between Mitsubishi and Caterpillar of the US.

These acquisitions and joint ventures have involved European, Japanese and US companies. At the same time, Japanese producers which have traditionally dominated the excavator market have been strengthening their position in Europe by starting manufacture there while the South Koreans have just emerged into the market with their own-branded machines.

The most important underlying reason for these changes is that the excavator has become an increasingly vital tool on construction and mining sites at the expense of other machinery.

Worldwide sales of excavators above 5 tonnes has jumped from 32,600 units in 1981 to 81,500 last year and is heading for sales of about 85,000 units this year, according to Plantecon, the London-based construction machinery consultant.

The excavator overtook the wheeled loader as the biggest selling machinery type about four years ago and its sales in North America have risen more than four-fold since 1982.

In an overall market for equipment which has not grown anywhere near as fast, the excavator now accounts for almost 30 per cent of unit sales worldwide compared with 16.5 per cent six years ago. "It has dawned now even on the smallest company that the excavator is a line you cannot afford to be without," says Mr Winfred Richter of Plantecon. "It is the most versatile and economical tool in the industry."

In the past 18 months this has involved a number of acquisitions. For example Hanomag, the struggling West German equipment maker, bought Sennobogen, a producer of small and medium-sized excavators.

Schaeff, which already made mini-excavators under 5 tonnes under licence, acquired Fuchs whose excavators range up to 25 tonnes. Dresser, the large US equipment maker, got into the excavator business for the first time with the acquisition last year of Yumbo, a French maker of excavators up to 35 tonnes.

Dresser has also been in discussions over possible acquisitions or joint ventures with Orenstein and Koppel and with Demag, two German machinery producers.

Ecomat in France, which made skid loaders for Bobcat, has bought the rights to manufacture Japanese Peljob mini-excavators.

Two months ago Eder of West Germany bought Zettelmeyer, another German machinery maker. This deal was in the opposite direction to the others as Eder already manufactured excavators for Caterpillar of the US while Zettelmeyer, market leader in West Germany for wheel loaders, does not make this type of machine.

The industry believes Eder has diversified because it is under threat of losing its excavator manufacturing contract with Caterpillar.

As part of the reshaping of world excavator production, Cat has signed a deal with Mitsubishi which effectively combines a large part of the two companies' excavator production into a single joint production operation based in Japan.

The deal integrates their product ranges and a large part of Mitsubishi production will now be sold as Caterpillar machinery. Mitsubishi has stopped marketing its own-branded excavators in the UK and Continental Europe.

At the same time Hitachi, the world's largest excavator maker, is setting up a joint production venture with Fiat's construction machinery business to make excavators near Turin. These will be Hitachi-designed excavators but using at least 80 per cent European Community components.

In the deal – which is like a European mirror image of Hitachi's US deal with Deere – Fiat, whose excavator range is dated, gets access to Hitachi's advanced machinery.

Hitachi, which has excavators as its only earthmoving line, gets access to Fiat dealers already selling a broad range of such equipment. The joint venture, in which Fiat has a 51 per cent stake and Hitachi the rest, involves complex worldwide marketing arrangements.

Komatsu this year began manufacturing 12 tonne to 30 tonne excavators in the UK, as well as wheel loaders. Kobelco, the excavator manufacturing arm of Kobe Steel in Japan, is known to be seeking a partner to manufacture its line under licence in Europe.

Daewoo, the South Korean industrial conglomerate, has just been freed from its 15-year deal manufacturing Hitachi excavators under licence. It has recently introduced to the US and UK markets its own excavator which is based on Hitachi designs.

Dresser, an industrial group which is expanding in earthmoving machinery, clearly wants a bigger excavator arm to its business.

That makes all the more surprising the position of VME, the company formed two years ago out of Volvo's machinery division and most of the construction equipment operations owned by Clark Equipment of the US.

This joint company, a middle-sized machinery maker like Dresser and one tier down in size from Cat and Komatsu, does not have an excavator in its product line-up. It says it needs an excavator range but so far has not come close to purchasing a company that would give it one.

Unotec to control Landis

BY JOHN WICKS IN ZURICH

UNOTEC HOLDING, part of the personal interests of Mr Stephen Schmidheiny, the Swiss industrialist, has taken a controlling stake in Landis & Gyr, the Swiss electrical engineering group.

Unotec has acquired almost two-thirds of Landis & Gyr Holdings which in turn owns some 50 per cent of the capital of the operating company, Landis & Gyr.

The cash purchase, no price for which is disclosed, makes Mr Schmidheiney the biggest single shareholder in Landis. He is to become chairman of the holding company board and vice chairman of the operating company.

The transaction has been undertaken with the full agreement of the members of the Gyr family who will continue to own a considerable part of the group.

The main reason for the sale of control to Mr Schmidheiney is that the Gyr family faces a management succession problem. No successor has emerged from the third generation of the Gyr family to take over "entrepreneurial responsibility", it was stated yesterday.

Talks between former chairman Dr Andreas C Brunner-Gyr, who is now retiring for health reasons, and Mr Schmidheiner began some two years ago. Mr Schmidheiney, aged 40, heads the Anova Group (of which Unotec is a part) with an estimated of some SFr6bn ($3.7bn).

Part of what is today Anova – specifically the fibre-cement concern Eternit – was obtained by Mr Schmidheiney when his father Mr Max Schmidheiney divided up most of the family holdings between his sons. He has, however, improved the profitability of these companies and expanded their activities, as well as diversifying, notably into Distral, the Swiss news-stand group.

He also has substantial shareholdings in other major Swiss industrial companies including over 20 per cent of the voting shares of Brown Boveri, the heavy engineer, and some 15 per cent of the capital of the leading watch industry group SMH.

The latest acquisition puts him in control of an industrial concern, best known as a manufacturer of metering equipment and so-called comfort control (air conditioning, heating and ventilation). Landis is likely to have 1987 sales of about SFr1.58bn and net profits should be in the region of SFr65.6m.

According to Landis chairman Mr Georg Krneta, turnover should rise to about SFr2bn in 1988 following the recent takeover of Powers of the US.

Anova recently disposed of its Rigips activities to British Plaster Board of the UK in a transaction understood to have been worth some SFr175m.

Mr Schmidheiney said yesterday that he wanted to build up a position in high technology products, such as those manufactured by Landis. The link with Landis represented a "genuine move towards diversification".

Landis announced in September that it was in talks with Anova with a view to the latter taking a stake in Landis. At the time the Landis management said "We don't know where it will all end, It is a matter for the family to decide".

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INTERNATIONAL COMPANIES & FINANCE

Suchard forecasts 40% gain in earnings

By William Dullforce in Geneva

JACOBS SUCHARD, the Swiss coffee and chocolate group, yesterday forecast a gain of close to 40 per cent in net earnings for 1987 and hinted at an increase in the dividend.

Last year the Zurich-based group booked a net profit of SFr191m ($140m), up by 37 per cent, and raised the dividend on its bearer share by SFr5 to SFr160. It said yesterday that it would "review the possibility of a dividend increase" for 1987.

Two conflicting influences have affected turnover. Acquisitions, notably E.J. Brach in the US and Cote d'Or in Belgium, have boosted sales, while the depreciation of the dollar and a drop in coffee prices have had negative effects.

In volume, sales of chocolate products will climb by more than half, while coffee sales will grow by about 10 per cent, Jacobs Suchard expects. Growth in the chocolate sector would have been about 15 per cent without the acquisitions.

A smaller expansionary move was announced yesterday. Jacobs Suchard's Italian subsidiary is buying DS Italiana, a company distributing chewing gum and sweets in Italy. Their combined sales will be about SFr70m in 1987.

East Asiatic advances 12%

By Our Financial Staff

EAST ASIATIC, the Danish group, said sales for the first nine months of 1987 were DKr11.2bn ($1.75m), 12 per cent higher than in the same period of 1986.

Earnings before tax were also considerably higher, it said in its quarterly report.

However, it added that since September the decline in world stock markets and the fall in the dollar had adversely affected business.

More banks acquire Paris brokers

BY PAUL BETTS IN PARIS

MORE DEALS involving the acquisition of French stockbrokers by banks were announced yesterday, confirming the growing trend of mergers between banks and the French securities industry.

Barclays de Zoete Wedd (BZW), the investment banking arm of the UK clearing bank, officially confirmed plans to acquire eventually 70 per cent of Puget, one of the top 10 French brokerage firms specialising in leading French blue chip equities.

In an another deal announced yesterday, Banque de l'Union Europeenne's has decided to buy up to 75 per cent of Magnin-Cordelle, the French brokerage firm.

The French stockbroker association also said that S.G.Warburg, the UK investment banking group, had decided to acquire at least 90 per cent, and possibly 100 per cent, of Bacot-Allain. Warburg announced last month its intention to acquire the French stockbroker.

A series of other deals between banks and French brokers are also expected to be announced shortly. These transactions are expected to include several foreign banking groups, including Amro, the large Dutch bank, and the National Westminster banking group.

The latest deals reflect the growing internationalisation of the French equity market which has undergone profound modernisation and deregulation during the last few years.

Under new legislation approved by the National Assembly last week, French brokers can now open their capital to outside partners in stages between the beginning of next year and 1990.

Lord Camoys, deputy chairman of BZW, said that the Barclays investment banking subsidiary had looked at more than 30 French brokers before deciding to acquire Puget. The acquisition was part of BZW efforts to develop its international presence. "We felt it was essentially to get a strong base in France," he explained.

Despite the recent stock market collapse, the latest string of deals between major banks and French stockbrokers reflects the long-term view international banks are taking on the development of the French equity market.

Mr Nicholas Sibley, head of BZW's international equities division, said it was important for major international banks to move quickly into the French market to seize the most promising opportunities.

He explained that there was in France "a window of opportunity we had to seize," adding that the acquisition was part of BZW's efforts to turn Europe into its "home base."

Candy wins 51% of Rosieres

BY DAVID LANE IN MILAN

CANDY, the Italian white goods group, has acquired control of Rosieres, the French group which makes cooker units, for about L25bn ($20.4m).

Mr Maurizio Fumagalli, Candy's finance director, said yesterday that Candy now holds more than 51 per cent of the quoted French company. However, the stake could be increased during the next week if minority investors opt to dispose of their shareholdings under French takeover rules.

Rosieres employs about 1,600 workers. It is strong in high-quality, free-standing and built-in cooker units, and has about 20 per cent of the French market. Mr Fumagalli said that Rosieres will combine well with Candy, whose strengths lie in dishwashers and washing machines.

With the acquisition of the French company, Candy's share of the European market for domestic electrical goods rises to 5.4 per cent to become the sixth largest in the sector.

Before the acquisition the Candy group had a workforce of 3,000 and turnover for the current year is expected to be about L800bn. Rosieres will contribute around L150bn in sales. The group expects profits this year of L20bn.

Candy's Italian activities include Gasfire, the cooker maker, and Zerowatt, a white goods manufacturer which is listed on Milan's second "ristretto" market. Rosieres is the group's second venture outside Italy.

Kelvinator (UK), the British maker of refrigerators and dishwashers, was the first non-Italian acquisition.

Rekster court assigns attorney

BY KAREN FOSSLI IN OSLO

TWO NORWEGIAN attorneys were given new government backing by a Bergen court yesterday in their search for the hidden shipping fortune of the Reksten family after the court assigned Mr Bjoern Haug, a government attorney, to the case.

Mr Haug replaces Mr Hans Bendiksby, who withdrew because of obligations resulting from his appointment as a judge.

The most recent findings of the two attorneys, Mr Kristian Roll and Mr Jens Kristian Thune, were presented behind closed doors to the court, which apparently found them interesting enough to request that further evidence be presented.

Mr Haug was instrumental in securing a $45m out-of-court settlement arising out of the Reksten affair.

In a report presented to the Bergen court earlier this week, Mr Roll and Mr Thune alleged that Guinness Mahon, the UK merchant banking group, assisted the Reksten family in organising funds outside Norway which, they said, deprived their creditors clients who are owed about NKr8bn ($465m).

Mr Haug, who describes his appointment as "less dramatic" than it might seem, says his role in the affair is that of representing the Norwegian state, which is also a creditor.

The Norwegian Guarantee Institute claims it is owed some NKr890m by Reksten interests.

The institute was set up by the Government during the 1970s to protect the Norwegian shipping industry from the worst excesses of the shipping decline which followed the first oil crisis.

Mr Haug says that claims by Reksten creditors are being investigated and that facts currently being revealed could alter these claims.

Trinkaus produces rise in profits

By Haig Simonian in Frankfurt

PARTIAL GROUP operating profits at Trinkaus & Burkhardt, the West German bank majority owned by Midland Bank of the UK, rose by 6.6 per cent to DM71.3m ($43.2m) in the first 10 months of 1987 against DM66.6m in the corresponding period last year.

The increase in earnings stands out against the markedly downward trend in partial operating profits at many other German banks so far this year.

However, Trinkaus said full group operating profit, which includes income from own-account trading, had dropped appreciably in line with results elsewhere. Nevertheless, profits for the year should be "satisfactory."

Earnings had benefited from "a very satisfactory development in every respect of customer-related business," said the bank. But undisclosed write-downs had been necessary in the value of holdings of securities after the stock market collapse. Trading in securities and foreign exchange for its own account had performed encouragingly, it said.

Commission earnings, which rose DM8.4m to DM88.8m at group level, were ahead of the bank's interest income for the first time thanks to active securities and foreign exchange business, as well as to the new issues side, which had performed "ahead of expectations."

NOTICE OF REDEMPTION TO HOLDERS OF

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Kuwaiti Dinars 30,000,000

10 per cent. Bonds due 1991

Exercise Of Call Option By International Bank For Reconstruction And Development On 25th January, 1988, Of The Entire Outstanding Kuwaiti Dinars 15,000,000 at 100-3/4%.

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(B) of the Terms and Conditions of the above mentioned Bonds, International Bank for Reconstruction and Development has elected to prepay all the outstanding Bonds in the aggregate amount of K.D. 15,000,000 at a redemption price of 100-3/4% of the principal amount thereof on 25th January, 1988, together with the interest accrued up to the date of redemption.

All Bonds will become due and payable in Kuwaiti Dinars at the offices of Kuwait Investment Company (S.A.K.), Mubarak Al-Kabir Street, Kuwait City, State of Kuwait, by cheque drawn on a Kuwaiti Dinar account with, or by a transfer to a Kuwaiti Dinar Account maintained by the payee with, a bank in Kuwait.

Bonds should be surrendered for payment together with all unmatured coupons appertaining thereto, failing which the face value of the missing unmatured coupons will be deducted from the principal amount.

From, and after, 25th January, 1988, interest on all the Bonds of the above mentioned issue will cease to accrue.

KUWAIT INVESTMENT COMPANY (S.A.K.) on behalf of INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated: 1st December, 1987.

The Royal Bank of Scotland Group plc

US$350,000,000

Undated Floating Rate Primary Capital Notes

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 11th December 1987 to 13th June 1988, the Notes will bear a Rate of Interest of 8 5/16% per annum. The amount of interest payable on 13th June 1988 will be US$427.17 per US$10,000 Note and US$10,679.25 per US$250,000 Note.

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Floating Rate Notes Due 1993

(Redeemable at the option of Noteholders in 1990)

In accordance with the provisions of the Floating Rate Notes, notice is hereby given as follows:

Interest Period : 11th December, 1987 to 13th June, 1988 (185 days)

Rate of Interest : 8⅝% per annum

Coupon Amount : US$ 433.59 (per note of US$10,000) US$21,679.69 (per note of US$500,000)

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GUS THE GREAT UNIVERSAL STORES P.L.C.

Comparative Consolidated Profits

(unaudited)

	Half-year ended 30 September 1987 £M	1986 £M
Turnover (including share of turnover of associated companies, this year £71.2M last year Nil)	1,238.9	1,128.8
Profit before taxation from trading activities (including share of profit of associated companies, this year £0.9M last year Nil)	150.5	132.5
Realised property profits (including share of those of associated companies, this year £0.4M last year Nil)	4.9	1.9
	155.4	134.4
Taxation (1987 estimated effective rate for year, 1986 actual rate for year)	52.9	44.7
	102.5	89.7
Minority interests and preference dividends	.1	.1
Profit after taxation attributable to the Ordinary stockholders	102.4	89.6
Earnings per Ordinary stock unit:—		
Excluding profit on sales of property	39.1p	35.0p
Including profit on sales of property	40.8p	35.8p
Interim dividend declared	9.0p	8.0p

The interim dividend amounts to £22.6 million (last year £20.0 million) and will be paid on 28 March 1988 to Ordinary stockholders on the Register at the close of business on 18 February 1988.

Analysis of Profit

Contribution to the group's profit after tax (excluding realised property profits):

	1987 %	1986 %
UK and overseas catalogue shopping and related activities	53.6	53.6
UK and overseas retailing (including share of associated companies income and related rentals)	9.9	9.5
Consumer and corporate finance, property rentals (excluding associated companies), investment income and business information services	30.2	30.9
Merchanting and manufacturing	6.3	6.0
	100.0	100.0

Proportion of profit after tax by geographical area (excluding realised property profits):

	1987 %	1986 %
United Kingdom	82.2	79.8
Western Europe	7.9	7.7
North America	5.8	7.6
Far East and Africa	4.1	4.9
	100.0	100.0

Trading Review

In the catalogue division the policy of investment in the latest technology for offices and distribution centres contributed to the profit growth. At the same time improved techniques for marketing and merchandise selection are being further developed to cater for changing consumer preferences in design and product innovation.

Burberrys is continuing to extend its product range and to open new stores overseas. Its income from royalties is increasing and further progress in this area is contemplated in the future.

The financial division is expanding its consumer and corporate services, and developing its range of business information activities. Property rentals increased in the period.

Currencies

Profits before tax of the overseas subsidiaries for the current half year would have been worth approximately £1.0M more in terms of conversion into Sterling at the rates prevailing on 31 March 1987 and some £2.0M more at the rates prevailing on 30 September 1986. The appreciation of Sterling's trade weighted index makes Sterling profits (which represent 82.2% of the total) worth 2.4% more when compared with the weighted index at 31 March 1987 and 6% more compared with 30 September 1986.

10th December 1987

FLEMINGS WORLD

Eurotunnel share issue is underwritten

By Alan Dickey

LLOYDS LIST 17.11.87

Robert Fleming was involved in raising the £1 billion equity capital and advised on the £5 billion credit facilities for EUROTUNNEL.

Ferranti to merge with US defence contractor

BY DAVID WALLER

FINANCIAL TIMES 21.9.87

Robert Fleming advised its client, INTERNATIONAL SIGNAL AND CONTROL, during its merger with Ferranti.

Dairy Farm success in Kwik-Save offer

BY NIKKI TAIT

Dairy Farm International, the Hong Kong-based food retailing, manufacturing and wholesaling group, looks to have succeeded with its £147m partial tender offer for a 25 per cent stake in Kwik-Save, the UK discount food retailer.

Robert Fleming, which handled the tender for Dairy Farm, said last night that they believed the offer had been over-subscribed and that appli- … will …

The 450p-a-share offer was for a further 21.55 per cent; Dairy Farm has said that it does not plan to increase its stake for another 12 months but does not rule out a full bidd longer-term.

The partial tender move was opposed by north Wales based Kwik-Save, which maintained that Dairy Farm was effectively gaining substantial control via a "back door route." The stake, it argued, could adversely affect the board's flexibility if … bid—from anywhere—arrived …

FINANCIAL TIMES 1.7.87

Robert Fleming and Jardine Fleming helped DAIRY FARM to complete the largest successful tender offer of recent years.

Low & Bonar £40m rights to fund acquisitions

By David Thomas

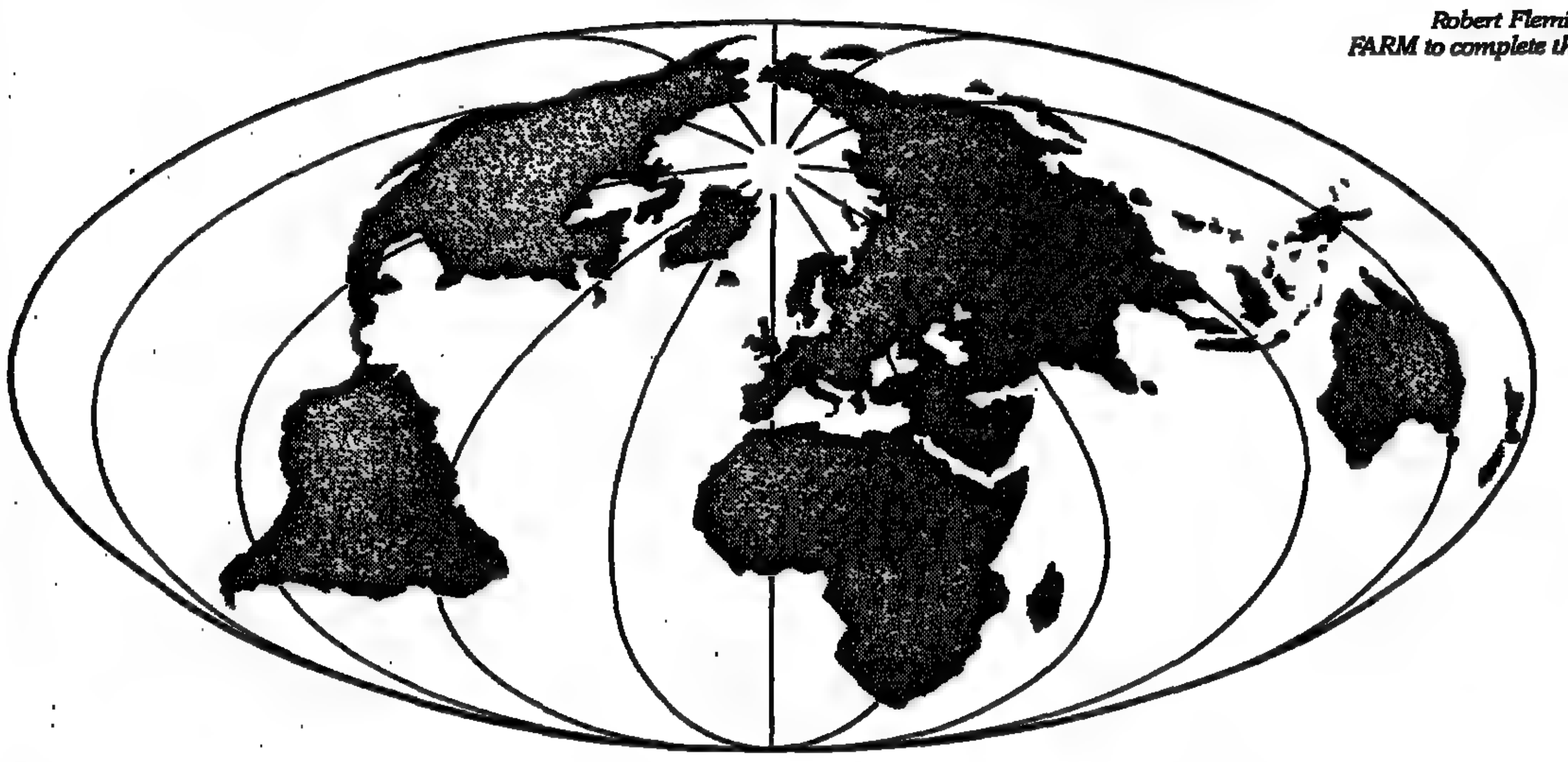
Low & Bonar, the Scottish packaging, plastics, textiles and electronics group, is acquiring three electronics companies—two in Britain, one in the US—for a total of £40.7m.

These deals will be largely financed by a two-for-seven rights issue at 225p per share to raise £37.7m. This is Low's second rights issue in the past six months and follows a one-for-four issue in April which raised £22.6m.

In its largest purchase to date Low is making a $43.6m (£31m) agreed bid for Powertec, a manufacturer of electronic power supply equipment based … California. The … of …

FINANCIAL TIMES 22.10.86

Robert Fleming client LOW AND BONAR expanded its US electronics operation with the acquisition of Powertech.



Debron says yes to £17m Interface bid

By Ralph Atkins

Debron Investments' shares, which were last week suspended, has recommended acceptance of a cash offer by Interface Overseas, a US-based carpet manufacturer. Interface already owns 49.9 per cent of Debron shares.

The offer — 73p cash for each ordinary share in Debron—will cost Interface about £17m and is conditional on it completing a public offering in the US of no… than 2.8m s… A com…

FINANCIAL TIMES 3.3.87

Robert Fleming advised its client DEBRON INVESTMENTS during its acquisition by US-based Interface Flooring Systems.

Rohm & Haas to Sell Subsidiary

PHILADELPHIA — Rohm & Haas Co. has signed a letter of intent to sell its Hydranautics subsidiary to Nitto Denko Technical Corp., Santa Barbara, Calif. …

THE JOURNAL OF COMMERCE 4.8.87

Eberstadt Fleming and Jardine Fleming helped ROHM AND HAAS complete the Trans-Pacific disposal of Hydranautics to Nitto Denko of Japan.

Phicom makes £34m buy and calls for £5.1m

FINANCIAL TIMES 16.10.87

Robert Fleming and Eberstadt Fleming enabled PHICOM to expand into the US with its first acquisition, Forma Scientific.

Valin Pollen into US with $114m deal

By Tessa Curtis

VALIN POLLEN, the corporate public relations group advising on the privatisation of British Airports Authority, is buying the Carter Organisation, a New York-based consultancy, in an agreed deal worth up to $114.6 million (£70 million).

The acquisition is the biggest yet for Valin Pollen and coincides with the efforts of another British marketing company, WPP Group, to make a major move into the United States with a $515 million (£316 million) bid for JWT Group.

Carter's client list of over 300 includes General Motors, Schlumberger, Eastman Kodak and Union Carbide. It includes a small advertising agency, Lauren Advertising, though its main business is investor relations, a specialist consultancy service relating to companies' links with the media, financiers and investors.

Reg Valin, chairman of Valin Pollen, siad that with Carter, Valin has established itself firmly in this new area and "at a stroke" formed a large consultancy group with a mix of services and a presence in the major financial centres.

Carter, which reported operating profits of $16.7 million £10.4 million) in its last full year, estimates pre-tax profits of at least $15.25 million (£9.3 million) for the year to September. Valin Pollen estimates pre-tax profits of at least £2.5 million for the same period.

Valin Pollen is to pay an initial $51 million (£32 million) and further payments to a maximum total of $114.6 million (£70 million) over three years, depending on the profits of Carter and Lauren.

Valin's shares were suspended yesterday at 290p because of the size of the deal, which is to be financed through a new share issue. After an institutional placing, Valin shareholders will be able to subscribe on terms to be fixed.

DAILY TELEGRAPH 17.6.87

Innovative underwriting enabled Robert Fleming client VALIN POLLEN to acquire a larger US company, The Carter Organization.

Laporte in £20m US purchase

By David Waller

Laporte Industries, the chemicals group, is to expand in the US with the $33m (£19.87m) acquisition of Vinings Industries, an Atlanta-based supplier of formulated process chemicals to the paper industry.

Vinings, a private company which made $3m pre-tax profits last year on $15-$16m turnover, supplies speciality inorganic chemicals to the US paper processing an… industr…

FINANCIAL TIMES 9.9.87

Eberstadt Fleming advised its client, VININGS INDUSTRIES, during its acquisition by Laporte Industries.

CapCo in £59m Australian property deal

By Gail Counsell

THE INDEPENDENT 12.6.87

Robert Fleming was sole manager and broker to the issue outside Australia, placing 30 million units.

Compact disc company is sold for £15m

FINANCIAL TIMES 6.7.87

Robert Fleming and Jardine Fleming arranged the sale of DISCTEC to Distronics of Australia.

Over the past year international deals have increasingly occupied the news.

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INTERNATIONAL CAPITAL MARKETS

Alexander Nicoll examines proposals for bank capital adequacy standards

BIS maps out a sounder base for banking

MUCH still remains to be done before capital adequacy standards for banks in industrialised countries are unified. But there is no doubt that a consultative paper published yesterday marks an important step towards achievement of that goal.

The proposals developed by central bankers on the Cooke Committee of the Bank for International Settlements will lead to substantial operational changes for banks in all the 12 countries concerned, to changes in the levels at which they price their loans, and to big increases in capital for some banks – France, Belgium and Japan are currently viewed as having the lowest-capitalised banks.

In general, the proposals are likely to put pressure on banks – such as some US money centre banks – which concentrate on low-margin, wholesale business and to benefit those which have a higher degree of higher-margin retail of fee-based business. They will bring off-balance sheet business fully into the net of assets subject to capital requirements.

The common minimum standard to be established is designed to provide a sounder base for the world's banking system and to iron out competitive advantages which UK banks, for example, see being held by some of their rivals. By stipulating that top-quality capital – equity and disclosed reserves – make up at least half, the committee also signalled that it was trying to improve not just the amount, but also the quality of banks' capital.

"It is a major accomplishment to have got to this point," Mr Brian Quinn, head of banking supervision at the Bank of England, said yesterday. "We have broken the back of the major conceptual problems."

Mr Peter Cooke, a UK official who is chairman of the BIS committee bearing his name, said the accord was an attempt to strike a balance between a credible and a realistic approach. It was credible in that it incorporated the right concepts, and realistic in that it took into account the current requirements of national banking systems.

The concepts and many of the details of the paper are not new. The Cooke Committee has been advising a strengthening of international banks' capital ratios since before the Third World debt crisis broke in 1982. Proposals for weighting of assets according to risks have been embraced in turn by all the Group of Ten countries over the past two years. Banking supervisors have been actively pursuing a joint approach for more than a year. But the new proposals allow banks, for the first time, to see a comprehensive picture of what will be expected of them.

There are significant gaps: the committee acknowledges that it has approached only the capital needed to cover credit risk, and that it is still examining interest rate and investment risks. It also notes that there are big differences in countries' tax regimes which could distort the comparability of banks' capital positions.

And there are important disclaimers. One country – understood to be West Germany – has a fundamental objection to the way capital is defined because it believes only in counting the highest quality elements included in the so-called "core capital."

Two countries - believed to be France and West Germany - dissociate themselves from the setting of the 8 per cent minimum standard. Their argument is that no figure should be set before consultation with their own banking communities, and they are entering the domestic discussions without being bound to the figure.

Perhaps the thorniest question still to be resolved, however, is precisely how to treat loan loss reserves. This question has become highly topical during the course of the committee's deliberations, since many US banks - followed by banks in the UK and elsewhere - took large provisions this year for their Third World exposure.

In the US, banks suffered erosion of their equity, but still included the provisions in their capital on the grounds that they were "general" - not against likely losses on any specific loan.

The BIS proposals do allow general provisions to be included as one of the constituents of "supplementary" capital. But their wording makes clear that the Third World provisions would be most unlikely to qualify. "Where provisions have been created against identified losses or in respect of a demonstrable deterioration in the value of particular assets, they are not freely available to meet unidentified losses which may subsequently arise elswhere in the portfolio and do not possess an essential characteristic of capital."

The committee acknowledged, however, that it is not always possible to distinguish clearly between general provisions and those that are really earmarked against assets identified as impaired.

It therefore plans over the next three years to develop proposals to ensure consistency of definition of "unencumbered" resources which could be included in supplementary capital. It also set a failsafe mechanism in case countries cannot agree on a definition. In that instance, reserves or provisions would be allowed to make up only 1.25 percentage points, or temporarily and in exceptional circumstances 2 points, of the 8 per cent minimum capital requirement.

But as well as disagreements, there have been compromises. On the contentious issue of what proportion of unrealised securities gains should be included in supplementary capital, both Japan, which is the most affected and had argued for 70 per cent, and other countries which sought a far lower level, have given way in agreeing on 45 per cent.

On some other issues, committee members appear to have agreed to differ. Though it said it was "very conscious" of the potential systemic dangers to the banking system arising from the "double-gearing" of banks holding the capital of other banks, the committee as a whole did not favour deducting from capital all holdings of other banks' capital. Such a decision would have had a big impact particularly on Japanese banks.

Moreover, the central banks have developed a momentum which would be hard to derail. That they have published the proposals despite their differences is important. Mr Quinn said yesterday that it was "most unlikely that we will slip back." If they did, he said, it would be very damaging to the world's banking system.

Key elements of the BIS proposals

A BANK'S capital is divided into core capital – equity and disclosed reserves – and supplementary capital. At least half of a bank's capital base should consist of core capital.

Allowable as supplementary capital are:

● hidden reserves which have been passed through the profit and loss account and are accepted by a bank's supervisors.

● revaluation reserves arising from revaluation of fixed assets – such as a bank's premises – may be included, as well as 45 per cent of unrealised gains on securities holdings.

● general provisions/loan loss reserves qualify, but provisions may not be included if they are against identified losses or follow a demonstrable deterioration in the value of particular assets.

● hybrid debt instruments which have close similarity to equity, such as perpetual debt.

● subordinated term debt – but only up to an amount equal to 50 per cent of core capital.

Capital requirements are to be calculated by assigning risk weightings both to assets and to off-balance sheet exposure. There are five weights: zero, 10, 20, 50 and 100 per cent. For example, interbank claims of less than a year's maturity would be weighted at 20 per cent, longer-term claims on domestic banks at 20 per cent, and longer-term claims on foreign banks at 100 per cent. Residential mortgage loans have a 50 per cent weighting.

The target standard ratio of capital to weighted risk assets is 8 per cent, of which the core capital element should be at least 4 per cent. The date for its application is to be the end of 1992. Initially, banks should not allow their capital to fall below end-1987 levels.

From end-1990 there will be an interim minimum of 7.25 per cent of which half should be core capital, but up to 10 per cent of the required core may be made up of items in the supplementary categories. There are also interim arrangements for treatment of general loan loss reserves. The limit on the amount of subordinated debt allowable within capital will not come into effect until end-1992.

US trade deficit figures trigger volatile trading

BY CLARE PEARSON

RELEASE OF far worse-than-expected US trade deficit figures sent the dollar tumbling and triggered volatile trading in the international bond markets yesterday.

Dealers initially marked US dollar bonds down sharply, but then took heart from the simultaneous fall in the US equity market. However, bonds still ended lower on the day as shares staged a late recovery and concerted central bank intervention failed to revive the dollar, suggesting that US interest rates would have to rise to defend the currency.

Eurodollar bond price movements mirrored those in the US Treasury market, though in very thin trading as many dealers had already closed their books ahead of the Christmas break. Bonds in the 10-year area closed about ½ percentage point down, while five-year bonds finished about ⅜ points lower.

Euroyen bond prices rose, but only cautiously, in reaction to the US figures. The October trade gap suggested there was room for strong further appreciation in the yen against the dollar, but dealers saw little prospect of lower yen interest rates given the strength of the Japanese economy. Ten-year Euroyen bonds closed about ¼ point higher.

Prices in the sterling sector closed lower after erratic trading during the afternoon. Both gilts and Eurosterling bonds were marked down after the trade figures were released, but then saw some buying in reaction to the weaker UK equity market and on some hopes that the weaker dollar might trigger a further cut in UK interest rates.

But these hopes evaporated as dealers concentrated on the continued failure of sterling to rise above DM3. Meanwhile, the equity market recovered some of its losses. Both gilts and Eurosterling bonds suffered profit-taking towards the close, with five-year Eurosterling bonds ending about ½ point down.

INTERNATIONAL BONDS

D-Mark domestic bonds and Eurobond prices were marked up by up to ¼ point after the announcement of the trade figures, but then fell back in the face of thin demand.

But a DM300m 5¾ per cent five-year bond for **Swedish Export Credit**, launched earlier in the week, was quoted at less 1¼ bid, up ⅛ points on the day. Dealers said other shorter-dated bonds were also in good demand.

Bank of Tokyo (Deutschland) became the first Japanese bank to lead a D-Mark Eurobond issue for a non-Japanese borrower with a DM50m three-year issue for **Industrial Credit Corporation (Dublin)**, guaranteed by Ireland.

The 5 per cent bond, priced at par, was quoted at less ¼ bid against 1⅝ per cent fees. Dealers said its terms compared favourably with domestic bank bonds of similar maturities.

Commerzbank led a DM200m six-year 6 per cent bond for **Mount Isa Finance (Curacao)**, a unit of the Australian mining concern, MIM Holdings which is rated A plus by Australian rating agencies. The bond, priced at par, was quoted at less 1⅞ bid by the lead-manager, but at lower prices elsewhere. Fees totalled 2½ per cent.

Sanwa International led a $100m floating- rate note for **Sanwa International Finance, Hong Kong**, guaranteed by the parent Japanese bank. The five-year bond is priced at 100.10, is callable at par after three years, and pays 10 basis points over six-month London interbank offered rate.

Swiss Bank Corporation and Union Bank of Switzerland confirmed they were joining the co-management group for a SFr100m bond for **Skandinaviska Enskilda Banken**, announced on Wednesday by Credit Suisse. Earlier, Union Bank of Switzerland had said it was not joining the management group, because the deal was subordinated.

The six-year 4½ per cent bond was quoted at around less 1¾ bid, compared with a one per cent selling concession.

Swedish SE to tighten settlement requirements

BY SARA WEBB IN STOCKHOLM

THE SWEDISH Stock Exchange board yesterday said that it intends to tighten up share delivery and settlement requirements and warned that, in future, banks and brokerages will have to improve their back-office procedures.

At present, there is a five-day period for settlement and delivery. However, Mr Bengt Ryden, chief executive of the Stockholm exchange, said that the statutory four-day settlement period would be reintroduced after the first quarter of next year.

The five-day settlement period has proved to be a problem, especially during the events of the last two months, and this is a signal to member firms and the clearing authorities to tighten up the back office work, he said.

● Perstorp, the Swedish speciality chemicals and plastics group, has postponed its share issue

The rights issue was intended to raise SKr293m ($49m) for further acquisitions and investments in plant. The board will seek shareholders' approval for the issue when the stock market shows signs of stabilising.

Commission considers US share control

By Our Financial Staff

THE BRADY Commission looking into the stock market collapse in October is considering limits on daily stock price fluctuations.

The commission, headed by Mr Nicholas Brady, the investment banker, has been seeking the causes of the plunge and possible remedies.

Share prices in the US have not been subject to limitations, but the Chicago Mercantile Exchange imposed price limits on stock index futures contracts after the October collapse.

Deputy head of UBS Securities resigns

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE FORMER head of international borrowing at the Swedish National Debt Office, Mr Peter Engstroem, has resigned from Union Bank of Switzerland (Securities) in London, where he was appointed deputy managing director in January 1986.

The securities subsidiary of the Swiss bank said Mr Cees Moerman, head of money market instruments, had also resigned, and that 15 of its 300 staff would be dismissed following a performance review.

In his position at the National Debt Office, Mr Engstroem had a high profile in the international capital markets. His move to UBS was said to have brought him a huge jump in salary from the civil servant's pay he had been receiving.

UBS was saying nothing about the reasons for Mr Engstroem's departure. He was appointed to have overall responsibility's for primary market activities at the firm and to participate in its business development.

However, in a time of general overcapacity in the Eurobond market, now being corrected across the City with widespread staff reductions, the firm was not felt to have improved its market position.

Last month, UBS announced it would merge the securities unit with Phillips & Drew.

Japanese brokers review growth abroad

By Ian Rodger in Tokyo

THE CRASH of the New York and London stock markets is taking a bit of the steam out of the dash for growth overseas of Japan's big four securities houses.

Nomura, Daiwa, Nikko and Yamaichi all say their overseas expansion will slow down in the next few months, although there is no question of retrenchment. And in at least one area – US and UK equity analysis – they see the crash as an opportunity to bolster their staff.

"It is time to stop and review the situation," said Mr Yoshihisa Tabuchi, president of Nomura Securities, the world's largest securities firm.

A Nomura official added that the company's recruitment for its overseas offices would slow down and that there was now almost no chance that the group would acquire Kidder Peabody, the US securities house. Discussions between the two began a month ago when General Electric, Kidder's main shareholder, indicated an interest in selling it.

Nikko and Daiwa said that their overseas profits were already suffering before the crash – down 30 per cent in the year to September at the pre-tax level in both cases. "Since last August, our overseas profits have become smaller, so it was time to review," said Mr Terutoshi Oka, an overseas manager at Daiwa.

A Nikko executive said that the company still expected its overseas business to grow, but the tempo would slow down. "We need to stop hiring for a while and check all our businesses," he said.

Mr Hitoshi Ishihara, managing director of Yamaichi's international division, said the company, which increased its overseas profits last year, would not be cutting its operations or its personnel in overseas branches. "In common with other Japanese houses, we operate on the basis of long-term plans over a period of three years," he said.

Mr Ishihara suggested that the sudden easing of the job market in securities professionals in London and New York would give Yamaichi an opportunity to improve the quality of its staff in US and UK equities.

The big four are under considerable pressure to improve their UK and US equity divisions these days. Despite the crash, the big Japanese institutional investors are placing more of their funds abroad, but have been less than happy with the advice and service they have been getting from the big four.

● Profits for the Japanese operations of foreign securities houses were misstated in the Financial Times of December 9. The combined pre-tax profit figure in the year to September was Y8.46bn, a decline of 31 per cent.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	92⅞	93	+0⅛	-0⅝	9.67
All Nippon Air 9⅝ 97	100	92½	92⅞	-0⅞	-0⅞	10.64
American Brands 8⅞ 92	150	96⅜	96⅞	-0⅛	-1⅛	9.79
A/S Eksportfinans 7⅞ 93	100	91⅛	91⅝	+0⅛	-0⅛	9.55
A/S Eksportfinans 7⅞ 92	150	93⅝	93⅞	-0⅛	-0⅝	9.40
Barc. Bk. Fin. 10⅛ 89	200	†102⅞	102⅞	+0⅛	0	8.91
Belgium 9⅛ 92	400	99⅜	99⅞	0	-0⅛	9.41
British Telecom 7⅞ 96	250	85⅝	86	-0⅛	-0⅛	10.16
British Telecom 8⅞ 94	150	95⅜	96	-0½	-0⅝	9.78
Canada 9 96	1000	96	96½	-0⅜	-1⅛	9.67
Canadian Pac 10⅛ 93	100	†100⅞	101⅛	-0⅛	-0⅛	10.44
C.C.C.E 7⅞ 91	113	93⅝	94	-0⅛	-0⅛	9.14
C.N.C.A 7½ 92	250	92⅞	93⅛	-0⅛	-0⅛	9.42
Coca-Cola Ent. 8⅛ 90	100	98½	99	-0⅛	+0⅛	8.77
Credit Lyonnais 9 91	200	99⅜	99⅞	0	-0½	9.11
Credit National 7⅞ 92	100	92⅞	93⅜	-0⅛	-0⅛	9.34
Credit National 7⅞ 91	150	93⅞	94⅛	0	-0⅛	9.10
Denmark 7⅞ 92	500	91⅛	91⅞	0	-0⅛	9.60
Denmark 8⅛ 91	300	96⅞	97⅛	-0⅛	-0½	9.24
E.E.C 7 91	100	93	93½	-0⅛	-0⅛	9.09
E.E.C. 7⅛ 93	250	91	91⅜	-0⅛	-0⅛	9.46
E.E.C 8⅛ 96	100	90	90⅝	-0⅝	-1⅛	10.01
E.I.B. 7⅞ 93	100	91⅛	91⅝	-0⅛	-0⅛	9.57
E.I.B. 9⅝ 97	150	96⅛	96⅝	-0⅝	-1⅛	9.96
Finland 7⅞ 97	200	86⅛	87⅛	0	-1	10.11
Finland 7½ 93	200	91	91½	0	-0⅛	9.56
Ford Motor Cred 11⅛ 90	100	104⅞	105⅛	-0⅛	-0⅛	8.72
Gen Elec Credit 10⅛ 90	200	†101⅞	102⅜	+0⅛	-0⅛	9.93
G.M.A.C. 8 89	250	†98½	99	+0⅛	0	8.78
G.M.A.C. 8⅛ 89	200	†99⅝	100⅛	+0⅛	+0⅛	8.28
Hoesch 8⅛ 97	100	†89⅛	89⅞	0	0	10.02
Hoesch 7⅞ 92	100	†94½	95	0	0	8.86
Hoesch 7⅞ 98	300	†92	92½	+0⅛	+0⅛	9.55
Liberty Mutual 8½ 96	150	†90⅝	91⅛	0	-0½	10.12
L.T.C.B of Japan 8 91	100	95⅞	96⅛	-0⅛	-0⅛	9.51
L.T.C.B. of Japan 8 97	200	84⅞	85⅜	-0⅛	-1⅛	10.67
Mercedes-Benz Cred 8⅛ 92	100	98⅝	99⅛	0	+1	8.54
Mitsubishi Fin. 7⅞ 93	100	90	90½	-0⅛	-0⅛	10.11
Mutual America 7⅞ 92	100	†93	93½	0	-0⅛	9.70
Norway 7⅛ 91	500	94⅛	95	0	-0⅛	9.00
Pepsico Inc 7⅞ 93	200	†91	91½	+0⅛	-0⅛	9.49
Prudential Crp. 8⅛ 94	125	94⅞	95⅜	-0⅛	-0⅛	9.77
Qantas Airways 10⅛ 95	140	†100½	101	-0⅛	-1½	10.20

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	96	96½	+0⅛	0	5.32
E.I.B 4⅞ 94	40	95⅜	95⅞	+0⅛	0	5.25
Elec. De France 5⅛ 94	20	99⅝	99⅞	+0⅛	+0⅛	5.24
Kansai Electric 4⅞ 94	60	95	95½	+0⅛	-0⅛	5.52
Norway 4⅛ 92	60	97⅛	97⅝	+0⅛	+0⅛	4.96
Rep. of Italy 5⅛ 92	150	102⅞	103⅛	+0⅛	+0⅛	4.93

UK COMPANY NEWS

GUS at £150m midway meets expectations

Great Universal Stores' 14 per cent rise to £150.5m in pre-tax profits for the half-year ended September 30 was bang in line with market expectations and the 15p decline to 1038p in the share price was more a reflection of the general market malaise than anything else.

Turnover was up slightly from £1.13bn to £1.24bn and margins, pre-tax to sales, improved from 11.7 to 12.15 per cent. Estimated tax is £52.9m compared with £44.7m and earnings are 39.1p (35p) before crediting realised property profits of £4.9m (£1.9m) and 40.8p (35.8p) after.

The interim dividend is increased from 8p to 9p; last year's total payment was 24.5p per 25p ordinary.

The directors said that in the catalogue division the policy of investment in the latest technology contributed to the profit growth. At the same time improved techniques for marketing and merchandise selection are being developed to cater for changing consumer preferences in design and product innovation.

Burberrys is continuing to extend its product range and to open new stores overseas. Its income from royalties is increasing and further progress in this area is contemplated in the future.

The financial division is expanding its consumer and corporate services, and developing its range of business informaton activities. Property rentals increased in the period under review.

The directors pointed out that profits before tax of the overseas subsidiaries for the current half year would have been worth approximately £1m more in terms of conversion into sterling at the rates prevailing on March 31 last and some £2m more at the rates prevailing on September 30 1986.

The appreciation of sterling's trade weighted index makes sterling profits (which represent 82.2 per cent of the total) worth 2.4 per cent more when compared with the weighted index at March 31, and 6 per cent more compared with September 30 1986.

• comment

The deal which left Great Univeral Stores holding 23.4 per cent of Harris Queensway has not looked so attractive in the wake of Sir Philip's warning of sharply reduced profits for his group. But if GUS has any regrets over the arrangment, they were not in evidence yesterday: Harris Queensway's contribution is small in relation to GUS's total profits, it was said, and in the long term the deal would come good. Meanwhile GUS claims to be holding a 42 to 43 per cent share of the mail order market against stiff competition from Littlewoods, Grattans and the rest. And the decline in the North American contribution was due more to the running down of its dollar balances in the US than to any grim forebodings of recession. In the wake of Black Monday, the cash-rich, conservatively accounted, heavily UK-orientated GUS looks the classic defensive ploy. The market knows it, too: with £380m and about 100p in earnings in sight for the full year, the prospective price/earnings ratio of 10½ is giving little away.

Westland hit by redundancies

BY PHILIP COGGAN

Westland, the helicopter company which was rescued amid much political controversy eighteen months ago, yesterday announced a 30 per cent drop in pre-tax profits to £18.4m (£26.4m). But the fall, reflecting a £16m exceptional provision for redundancy costs, disguised an improved trading performance.

Earlier this year Westland cut 2,000 jobs in the helicopter division, because of reduced order books. Nevertheless, earlier orders helped helicopter profits to increase from £8.9m to £17.3m - masking more modest growth in the aerospace division (from £4.1m to £4.2m) and in technologies (from £11.5m to £12.1m).

The company said that the impact of the weakening dollar will inevitably adversely affect the business of technologies and aerospace, by putting pressure on US sales margins.

It also described as disappointing the Government's decision not to take a greater part in the European space programme, which could affect Westland Aerospace's work on the Ariane 5 rocket. "Unless something can be done", said Sir John Cuckney, the chairman "this work will be re-allocated to companies in other European countries".

Sir John welcomed the announcement by the Government of its conditional intention to purchase 25 EH101 helicopters. However, he still regretted the unilateral withdrawal of the UK from the NH90 programme.

Gross profits were £53.3m (£45.1m) on turnover of £381.6m (£344.4m). Operating profits of £35.6m (£32.2m) were struck after research and development costs £7.5m (£5.7m), general expenses £11.6m (£8.1m) and other income £1.4m (£900,000).

Interest charges fell to £1.2m (£5.9m) reflecting the benefits of the capital reconstruction programme in which Sikorsky and Fiat injected funds. After tax £5.5m (£6m) and minority interests £3.8m (£3.3m), earnings per share were down at 4.9p (16p).

The final dividend is being set at 2.25p, making a total of 3.5p (nil).

• comment

Although these figures were more than respectable, they did reveal that Westland has yet to find a way out of its strategic cul-de-sac and the shares closed down 5p at 74p. The helicopter order gap, which starts after this financial year and ends when the EH101 comes on stream, shows no signs of being filled; and the dollar's weakness could well limit the ability of the aerospace and the technologies divisions to compensate. Nevertheless, it would be wrong to be too bearish about the company's prospects; this year's helicopter orders are secure and with the benefit of lower costs, pre-tax profits should reach £30m. The following year, profits will do well to maintain that level but the figures are still much better than people's most optimistic forecasts two years ago.

Britoil prepares its bid defences

By Lucy Kellaway

THE FIRST public signs of Britoil's defence against a possible bid from British Petroleum will emerge today in a letter to shareholders spelling out in the firmest tones its opposition to being taken over.

The directors of Britoil, the largest oil independent company in the UK, met yesterday to discuss BP's dramatic dawn raid on Tuesday and its tender offer designed to take its holding to 29.9 per cent, and formulated plans for a swift and vigorous defence.

The company, which is anxious to defend its independence, is believed to be particularly strongly opposed to a bid from BP. It fears that a takeover by BP would involve the closure of its Glasgow headquarters, with operations absorbed into BP's already substantial upstream operations, based in London.

It is thought that a bid from a company without its own North Sea business could be less unwelcome to the Britoil board. Any bid would also cause the strongest opposition from the Scottish lobby, as Britoil is the largest company in Scotland.

Britoil shares jumped by nearly 20p yesterday to 294p, based on rumours that a "white knight" would shortly emerge. The City was also pressing for clarification yesterday from the Government on the life of its golden share in Britoil.

Analysts said that shareholders could not decide whether to accept the BP tender, unless they knew how long the Government planned to retain its controlling share.

A B Engineering back into profit

Associated British Engineering returned to profits at the pre-tax level in the half-year to end-September.

On turnover marginally lower at £12.09m, the group made taxable profits of £23,000 against a deficit of £40,000 last time. Loss per 1p share emerged at 0.05p (0.25p).

The directors said the success of the recent rights issue had left the group in a sufficiently strong position to weather possible difficulties.

Clay Harris considers the true valuation of BCal

Price is in the eye of the beholder

IS British Caledonian Group worth £553m, £420m, £325m, £200m, £156m or somewhat less than £150m? In the past two days, theoretical support could be found for any of the figures, but the real answer is: it depends on who wants to buy or invest in it.

Four of the prices relate to the BCal-recommended recapitalisation package announced by Scandinavian Airlines System on Wednesday night, one to the increased cash offer unveiled by British Airways barely 12 hours later, and the last to BA's unchanged share terms.

Extrapolation of SAS's partial offer and underwriting of a subsequent rights issue could put any of three values on the whole of BCal, depending on how the complex three-stage (or four-stage) recapitalisation plan works out.

SAS plans to offer £110m for 26.14 per cent of BCal's existing shares. This implies a full value of £420m, more than double yesterday's increased offer from BA.

But the effect of two subsequent rights issues to raise £30m and £20m, respectively, would have the net effect of reducing SAS's voting stake to 23.5 per cent. To come out at this level, however, SAS would have to take up as underwriter the full second cash call, to raise its total investment to £130m.

The Scandinavian airline fully expects to do so. One reason it is willing to pay so handsomely for its initial stake is an implicit understanding that BCal's existing shareholders will forgo their rights.

But £130m for 23.5 per cent implies a total price of £553m for BCal, beyond anyone's wildest fantasy for a company which lost £19.3m before tax in 1985-86 and is likely to have returned to profit in 12 months to October 31 only on the strength of selling its Copthorne hotels operation for £30m to Aer Lingus just before the year end.

It was at this point, however, that Goldman Sachs, advising BCal, introduced the "exploding" option. Once the regulatory environment permits, the preference shares SAS picked up in the second rights issue would convert into ordinary shares and take its voting stake to 40 per cent.

With this time-bomb, BCal and SAS in effect reminded the Civil Aviation Authority that the days of its wide discretionary authority over what qualifies as a UK airline were likely to be numbered, as the European Community moved towards a common market and deregulation of aviation.

The package is designed to satisfy the CAA's present requirements, but SAS is paying what appears to be a high price because it believes the rules will change within a decade. If this faith is justified, SAS's £130m investment will have valued the entire group at £325m.

The dozen or so UK institutions which have agreed to underwrite - and expect to end up with - the first rights issue, have taken a more conservative line. Their £30m would get them 19.17 per cent of voting rights, valuing the whole at £156m.

More importantly, they would get a 9 per cent dividend on the convertible preference, a high return by UK standards on such a security.

Among the institutions is an employee trust which would hold 7.19 per cent of BCal's shares. The £11.2m investment would make this Britain's largest employee share ownership plan.

The highest full price anyone has ever been willing to stump up for BCal was £249m, the value of BA's original share offer at the close on July 16, the day it was announced. The BA share price slipped afterwards and then fell in October in line with the market.

Although BA renewed the offer on unchanged terms last month, by yesterday it was worth almost exactly £100m less than the peak. The cash alternative in July was £220m. By November, only a cash offer worth £119m could be underwritten.

BA said it would fund yesterday's increased cash offer from its own resources. At the end of its first half on September 30, BA had net cash of £61m. A £200m cash takeover of BCal plus the assumption of some £300m in debt would leave BA with gearing of nearly 100 per cent by March 1988.

This is viewed by analysts as well within BA's short-term scope, especially considering the savings its rationalisation plan will bring. But with the summer travel peak beginning in only six months time, BA would have to prune hard and fast to get the combined group into shape by that time.

VOTING SHARES (%) IN BRITISH CALEDONIAN AT EACH STAGE OF PROPOSED RECAPITALISATION

	Existing ordinary	After offer	After capital reconstruction	After deregulation
SAS	0	26.14	*23.50	40.00
New investors	0	0	**19.17	19.17
3i	40.18	29.67	***23.53	16.90
Other existing	59.82	44.18	33.80	23.93

Assumptions: 3i accepts offer for 2.16m BCal shares; existing shareholders, part from 3i, take up no rights; full exercise of current options *including 3.50% in A ordinaries - convertible into ordinaries 7-for-73 **all preference convertible into ordinary at 80-for-113 ***including 0.83% convertible prefs

KIO increases its interest in BP

BY RICHARD TOMKINS

THE **Kuwait Investment Office**, the London investment arm of the Kuwaiti Ministry of Finance, yesterday confirmed that its stake in **British Petroleum** had risen from 10.44 per cent to 11.52 per cent.

Most of the increase is thought to have been achieved in a buying spree last Friday when the volume of trading in BP's newly-issued partly-paid shares reached 157m. But the KIO is thought to have been back in the marketplace yesterday, when another 81m of the partly-paid shares changed hands.

Stock market analysts expect the KIO to continue building up its stake in BP till it reaches 15 per cent. Up to that level the KIO faces no restrictions on the pace at which it can buy BP's shares, but it must declare the size of its stake every time it increases by more than one percentage point.

The KIO is paying about 73p a share for the partly-paid stock in spite of the likelihood that the shares will be cheaper on the expiry of the Bank of England's 70p buy-back arrangement. This is because of the easy availability of the shares at this price, a feature unlikely to persist once the safety net has gone.

• The KIO said yesterday that it had increased its stake in DRG, the packaging group, to 6.8 per cent.

Waterglade lifts profits to over £2m halfway

PROPERTY INVESTOR and developer **Warterglade International Holdings** lifted its profit from £1.59m to £2.07m in the half year ended September 30 1987.

The company, which came to the market last April, is paying an interim dividend of 1.5p. The forecast was 1.25p to be followed by a final of 2p.

Mr W. Adams, the chairman, said all developments were in areas of strong tenant demand, and he remained confident about prospects.

Construction had started on the retail warehouse park at Clacton. At the Ealing development the food court was let and letting of remaining units was up to expectations.

Contracts were exchanged for the sale of Passmore Edwards residential site in Clacton at a substantial profit. Results also included profit realised from the sale of the 1.7 acres industrial site at Crawley to Nissan UK.

Prospects for the city properties remained very encouraging.

Stewart & Wight down at midterm

Lower pre-tax profits, down from £54,622 to £44,812, were announced by **Stewart & Wight**, property investor, for the half year to September 26.

The lower profit was due to deteriation in retail trading at The Cut and this shop has since been sold. The company is no longer engaged in retail trading.

Gross rental income for the period amounted to £68,878 (£63,108) and retail turnover to £25,940 (£88,621). The estimated tax charge is £15,700 (£20,809) and there was an extraordinary credit of £57,961 (£2,523) which represents the gain on the sale of a freehold advertising site earlier this year, less the cost of the closure of the shop at The Cut.

Earnings per £1 share were 36.9p (42.91).

Sidlaw profits decline to £2.9m

Reduced pre-tax profits of £2.88m were announced by **Sidlaw Group** for the year to October 2 compared with £3.87m previously.

A final dividend of 3.5p (2.75p) is proposed, which maintains the total payment at 5.5p. Earnings fell to 9.22p (9.93p) per share.

Turnover for the group, which provides services to the North Sea oil and gas industry and also makes jute and synthetic yarns, was down at £55.89m (£60.62m). After tax, minorities, and an extraordinary credit of £497,000 (£4.21m debit) attributable profits came out at £2.42m (£2.14m losses).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Booth Ind ....int	1.5	-	1	-	3
Bradstock ....fin	3.6	Apr 7	2.65*	5	3.75*
BB & EA ....int	1	-	0.75	-	1.75
Dowty ....int	2.8†	Mar 31	2.6	-	6.2
Evans of Leeds ....int	3	Jan 8	1.63	-	4.75
Flexello Cast ....fin	3.1	-	2.8	4.5	4.1
Grainger Trust ....fin	2.58	-	2.07*	3.33	2.67*
Greycoat ....int	1.6	-	1.2	-	2.75
GUS ....int	9†	Mar 28	8	-	24.5
Irish Distill ....fin	5.65✱	-	5.65	7.65	7.65
Morceau ....fin	1	-	2.5	1	4
Phoenix Timber ....int	1†	Jan 22	nil	-	1.5
Pilkington ....int	2.35‡	Feb 12	2.17*	-	7.33*
Sidlaw ....fin	3.5	-	2.75	5.5	5.5
Syltone ....int	4	-	3.6	-	10
Thorn EMI ....int	6†	Mar 4	5	-	18.5
Wagon Industrial ....int	4.5	Mar 21	4	-	10
Waterglade ....int	1.5	Jan 29	-	-	-
Westland ....fin	2.25	Feb 11	nil	3.5	nil
Western Select ....fin	1.9†	-	1.7	3.4	3
Whessoe ....fin	1	Jan 30	3	1	5.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ♥Third market. ‡ Carries scrip option. ✱Irish currency.

Slight pickup at Morceau

Morceau Holdings, fire protection specialist, showed some recovery in the second half, and the directors forecast that would continue at a steady rate.

Following a substantial downturn to losses of £314,000 in the first half, the company recorded a loss of £217,000 for the full year ended September 30 1987.

The interim dividend was omitted but a final of 1p is recommended. For the year 1985-86 the company made a pre-tax profit of £1.95m, with £1.71m at halfway, and paid an interim of 1.5p and a final of 2.5p.

Majority of the recovery was the result of a substantial increase in UK construction industry activities.

At the start of the current year the company had work in hand of £7.3m, and subsequently received a further £2m in orders.

Cash position remained strong. Investment had been made in latest technology to improve productivity and minimise time spent on site.

New London Oil reduces losses

New London Oil, the oil exploration holding company, reduced losses from $560,000 to $264,000 (£144,578) and more than doubled turnover on oil and gas sales from $910,000 to $2.08m for the six months to September 30 1987.

Loss per share was reduced to 0.7 cents (2.6 cents).

The directors said that the company's current cash balance exceeded $5m, a position strengthened by positive cash flow and the absence of bank debt. Cash flow increased to $535,000 compared with a negative corresponding figure of $67,000. Benefits had also come from price improvements in oil and gas sales.

UK COMPANY NEWS

Martin Dickson on the large new shareholders in Sears

Al-Fayeds keep the City guessing

THE AIR of mystery which has long surrounded the Egyptian Al-Fayed family, owner of the House of Fraser stores chain, grew a little thicker yesterday when it emerged as the holder of a 10 per cent stake in Sears, one of Britain's biggest high street retailer, and a long time subject bid speculation.

The family's purchase of a stake of over 8 per cent held by Mr Robert Holmes a Court'sBell Group and further purchases in the market took City analysts by surprise.

Mr Mohamed Al-Fayed, who is chairman of Harrods, House of Fraser's flagship store, described it as a "sound long-term investment" while Mr Geoffrey Maitland Smith, chairman of Sears, expressed delight at his new shareholder: the indications were that the Al-Fayeds had no intention of bidding for the company, and this would allow Sears, which has been surrounded by bid rumours for two years, to "get back to business as usual."

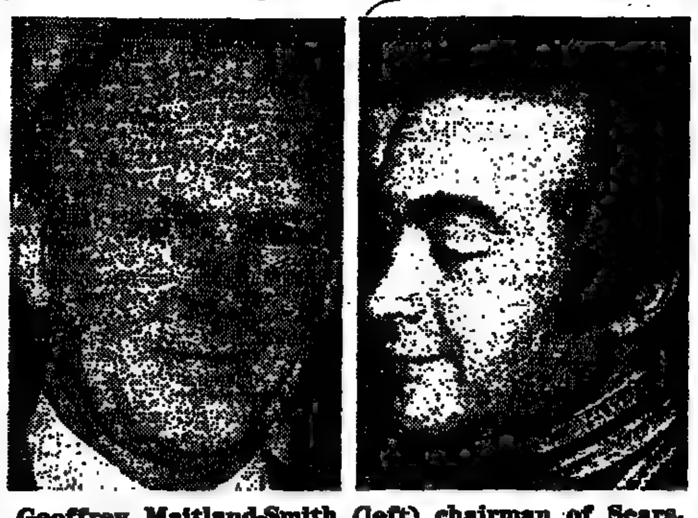
Yet analysts were quick to point out that £210m is a great deal of money to pay out for a simple "long-term investment." What more could the Al-Fayeds be planning?

The idea of them launching a full takeover themselves was generally discounted, and this was reflected in yesterday's fall in the Sears share price. The company has a market capitalisation of over £2bn.

Whatever the wealth of the Al-Fayeds – a subject of bitter controversy between the family and arch-enemy Lonrho – a bid for Sears would be beyond all but the most fabulously wealthy of private investors.

Furthermore, Department of Trade inspectors are currently investigating the circumstances surrounding the Al-Fayeds' takeover of House of Fraser in 1985, following a vitriolic campaign of abuse from rival contender Lonrho.

A bid for Sears might attract the attentions of the Monopolies Commission, and the Al-Fayeds would be unlikely to welcome a further entanglement with the regulatory authorities at this time.



Geoffrey Maitland-Smith (left) chairman of Sears, welcomes Mohamed Al Fayed's interest in his group

The family is clearly anxious to brush off Lonrho's campaign and underline its position as a major UK investor, and significantly, went out of its way in yesterday's statement to stress its "confidence in the long-term future of Britain and the British economy."

Furthermore, the family may have enough on its plate running House of Fraser, as well as its interests outside Britain, which include the Ritz Hotel in Paris.

Last October Mr Brian Walsh, a highly regarded Australian retailer brought in to run the stores group, resigned as chief executive after little more than a year, amid rumours of friction between him and the family.

Mr Mohamed Al-Fayed personally took over the running of Harrods and his brother Ali temporarily took charge of Fraser's other stores.

Since House of Fraser is now a private company and the Al-Fayeds are sparing in their comments to the Press, details of the company's trading performance are sketchy. But the evidence reaching City analysts suggests that last year's performance was not particularly sparkling –hardly suprising in view of the impact of the Chernobyl disaster on tourists from America.

A substantial number of its provincial stores are also reputed to be up for sale.

Although unlikely to launch a full bid for Sears, the Al-Fayeds – who have been dubbed "collectors of centres of excellence" – might be interested in some of the more glittering parts of the empire, notably Selfridges, the Oxford Street rival to Harrods, and Garrard, the crown jewellers.

Should anyone else launch a break-up bid, a 10 per cent stake could give them a considerable say in the outcome.

Alternatively, they may be interested in closer co-operation between the two chains. Some ties already exist, in that Sears has some clothing and footwear outlets in some House of Fraser stores. But Mr Maitland Smith said yesterday that no plans for further co-operation had been discussed.

Whatever their motives, they have bought a stake in a company which is undergoing a substantial uprating in the eyes of the City after years being labelled the "sleeping giant of the retail sector."

Built up in the 1950s and 1960s by the late Sir Charles Clore, one of the greatest takeover practionioners of his time, Sears grew into a widely diversified conglomerate. But despite 15 per cent compound growth in earnings over the past five years, it came to be regarded as a dull, unimaginative performer in a sector boasting such innovative and acquisition-hungry companies as Burton and Next.

Part of its problem is the make-up of the group. It owns Britain's biggest footwear retailer in the British Shoe Corporation (chains include Dolcis, Saxone and Manfield) and is one of the biggest manufacturers. This accounts for some two fifths of profits and is a very mature market.

Over the past two to three years the group has started to look more active, buying businesses and selling off peripheral interests in the motor trade and engineering.

The footwear retailing interests have also been refashioned, with the chains divided into four groups each aimed at a separate segment of the market.

Much of the credit for the tougher new style is given by analysts to Mr Michael Pickard, former head of Imperial Group's brewing interests, who came to Sears in September last year and has just taken over as chief executive from Mr Maitland Smith.

Brokers are forecasting pre-tax profits of around £240m for the year to January, up from £218.7m, and in the wake of the stock market crash they have rediscovered Sears as a good defensive stock: whatever the economic environment, people have to go on buying shoes and clothes. Added to that, there remains a frisson of takeover speculation – though after yesterday's events that is much diminished.

BET to sell its simulation and radio operations

BY FIONA THOMPSON

BET, the international services group, said yesterday it is to sell its simulation and radio operations, a key part of the company's electronics and communications division.

The businesses up for sale are Rediffusion Simulation, a world leader in advanced technology flight simulators for civil and military aircraft, Rediffusion Radio Systems, which supplies electronic communication equipment for the military and professional markets, and a number of Rediffusion's overseas interests ranging from TV rental to radio broadcasting.

BET would not put a figure on what it hoped to get for the businesses but analysts were suggesting a total of about £100m to £130m.

Mr John Griffiths, finance director, said the company had for some time been concentrating its efforts on its core operations, industrial support services, which includes cleaning and waste disposal and textile rental. It wanted to continue that focus and the Rediffusion businesses did not fit in.

"There was no scope for cross fertilisation of the customer base, and, although Rediffusion Simulation could certainly operate as a stand-alone company within BET, it would prosper better in another person's ownership, he said.

Rediffusion Simulation made operating profits of £9.5m for the year to March 31 1987 on turnover of £113m. Its order book stands at £200m, of which over 80 per cent is for export. The orders include simulator programs for all current-generation Airbus, Boeing and McDonnell Douglas civil aircraft.

The company has 35 per cent of the world civil aviation flight simulator market and 40 per cent of the UK military market. It has subcontracted on a number of US military programmes including the B-1 bomber and Boeing Awacs.

Rediffusion Radio Systems supplies military, maritime, government and civil customers internationally with electronic communications systems for naval vessels, radio paging, air traffic control and surveillance. For the year to March 31 1987 it made £1m operating profits on sales of £14m.

BET has been gradually moving its emphasis away from electronics and leisure. In 1982, this division made the largest single contribution to operating profits - 38.5 per cent. This had fallen to 12.9 per cent for the year to March, 1987.

The construction and industrial services divisions have grown substantially since 1982 and now represent two-thirds of operating profits.

BET said it was in no hurry to sell the businesses. It has appointed Baring Brothers in London, and Bear, Stearns in New York to handle the sales.

Pilkington surges to £122m midway

BY STEVEN BUTLER

Pilkington, the UK-based glass group, moved strongly forward in the six months to September 26, reporting a 40 per cent increase in pre-tax profits to £122m, a figure that was cut by £5m due to exchange rate fluctuations. Sales rose to £1.16bn, an increase of 23 per cent. Changes in the accounting period boosted profits by £6.6m.

The improved performance came despite a severe setback at Libbey-Owens-Ford, Pilkington's US subsidiary, where operating profits plunged by about 70 per cent to £6.7m, including exchange rate losses. The setback at LOF was attributed to a softening of the new car market in the US and excessive dependence on General Motors, which suddenly lost about 10 per cent of its market share in the past six months.

"General Motors is losing market share faster than we can reposition Libbey-Owens-Ford," said Mr Peter Grunwell, finance director.

Mr Antony Pilkington, chairman, said that the respositioning of the subsidiary to improve sales to other auto producers and broaden the product base would take about three years.

"Otherwise, Mr Pilkington said, the group was continuing the dramatic improvements in its trading performance that came in the second half of the last reporting year.

"We're more than maintaining our improvements in sales, profits, and earnings," he said.

Flat and safety glass continued to lead the group, with sales rising from £742.8m to £942.8m. Trading profits in flat and safety glass rose from £72.3m to £104.6m, completely on the strength of Europe, where profits soared from £21.5m to £59.1m.

Profits in opthalmic and special glass advanced from £3m to £5.4m. Calculated on a pro-forma basis including Vision Care, the opthalmic company recently acquired from Revlon of the US for £361m, profits in opthalmics alone would have reached £33m.

Earnings per share rose from 7.3p to 11p, while an interim dividend was declared at 2.35p, up 8 per cent. The dividend payout by the company, however, rose 24.5 per cent to £17.3m owing to 91.6m new shares issued in connection with the Vision Care acquisition.

Interest charges for the period fell by £1.7m to £18.9m, although this was expected to rise in the second half because of borrowing connected with the acquisition. Net gearing at the year-end is expected to reach 40 per cent.

• comment

Pilkington's share price has suffered from just about every sort of nervousness in the market. In the building sector, it would obviously be affected in a recession; it is exposed to just about every currency fluctuation imaginable, not least of all dollars; and it has the bad fortune of being tied to General Motors through Libbey-Owens-Ford. Still, with full year pre-tax profits expected to reach about £310m, putting it on a prospective multiple of around seven, and with a yield of six per cent, most of these dangers would appear to be factored in by the market. The short run does indeed look a bit nervous, but all of the changes Pilkington has made in recent years – bringing down costs, spreading itself geographically and moving steadily into higher technology products not dependent on the building sector, make it a far stronger, more recession-resistant company.

ICM rejigs plan for flotation

By Alice Rawsthorn

International Colour Management, which designs computer systems for the measurement and control of colour in the textile and plastics industries, is joining the stock market in a placing which will value its business at £9.35m.

The company had originally planned to go public in October, but cancelled the flotation at the eleventh hour because of the stock market collapse. Had the placing gone ahead on schedule, ICM would have been capitalised at about £16m, almost 70 per cent higher than its present value.

Mr Ian Williams, managing director, said that having gone through all the hard work and expense of preparing for the flotation ICM had decided to go ahead, even if that entailed accepting a lower price for its equity.

ICM was formed in the early 1970s and operated initially as a distributor of colour measuring instruments. It then began to develop specialised computer software and to assemble its own systems. In 1984, it acquired Texicon, a loss-making business in an allied area.

The losses from Texicon depressed the company's profits performance in 1984/85, but ICM has since recovered. It produced pre-tax profits of £1.1m on sales of £12.5m in the year to June 30.

In the placing, through Rowe & Pitman, ICM will issue 2.65m shares, or 24 per cent of its equity, at 85p a share. It is going public on an historic p/e of 11.5. A little more than half the money raised will be ploughed back into the company in order to fund future acquisitions.

Greycoat moves up to £6.3m

Greycoat Group, property investor and developer, saw pre-tax profits surge from £3.88m to £6.33m in the half year ended September 30 1987.

Net rental income moved up to £5.46m (£3.99m), surplus on sale of properties to £1m (£727,000), and interest received and other income to £2m (£1.38m). Associates contributed £600,000 (£237,000).

After tax £500,000 (£360,000) earnings came to 7.8p (4.9p). The interim dividend is raised to 1.6p (1.2p).

Finance expenses of £1.67m (£1.42m) were stated after £3.46m (£1.55m) capitalisation relating to developing properties, and administration charges of £1.07m (£1.04m) after £1.53m (£1.09m) capitalisation.

Dollar hits Syltone

The strength of sterling against the US dollar was making it difficult for **Syltone** to recover a reasonable profit margin on exports to North America, said chairman, Mr John Clegg, yesterday.

He said the engineering company had taken steps to increase the element of US manufactured products as a defensive strategy.

The company's interim pre-tax profits improved from £421,000 to £725,000 in the half-year to September 30 1987. The interim dividend is 4p net (3.6p).

Bremner edges ahead

Bremner recorded a small increase in interim pre-tax profits from £109,000 to £137,000 in the half year to July 31, but the figures largely pre-dated the company's move out of department store operation and into financial services.

A loss of £94,000 was reported at the Glasgow store, to be closed at the end of this year, and after incurring central administration costs, the retailing loss was £144,500. The manufacturing and factoring division also made a loss of £11,500.

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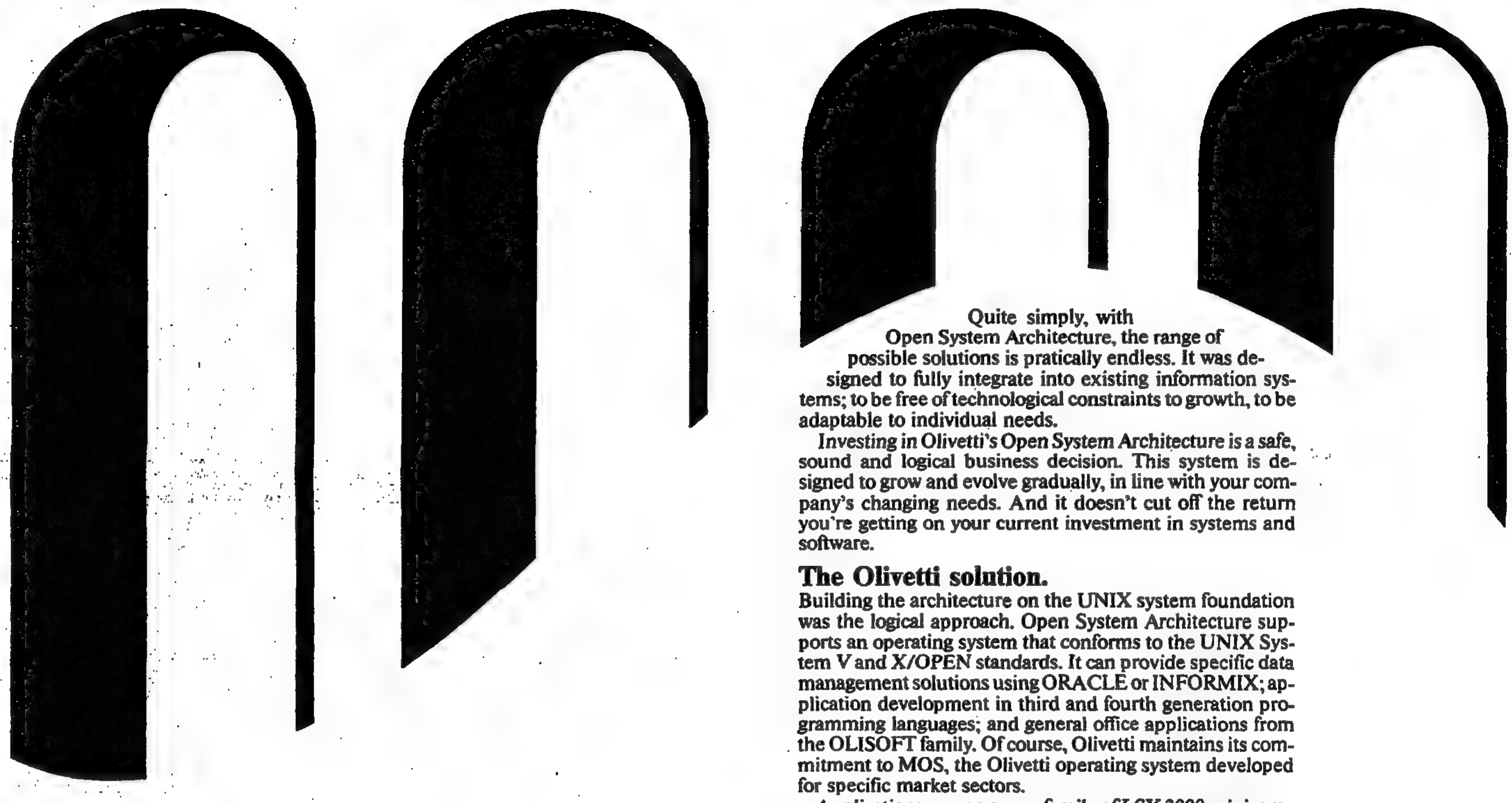

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Western Selection doubled

Western Selection, investment *finance company, doubled its* profits to £2.2m pre-tax over the year to September 30 and is raising shareholders dividend from 3p to 3.4p on the enlarged capital via a final of 1.9p.

Duratube & Wire, which generated almost 80 per cent of the group's 1985-86 profits, continued to forge ahead increasing its contribution by 54 per cent to £1 52m.

The directors said that in the current year liquidity had been increased and satisfactory profits taken.

Value of the portfolio was affected by the market crash.

WARNING ON SECOND HALF GROWTH

Thorn EMI rises 46% midway

BY DAVID WALLER

Thorn EMI, the diversified *electronics group, yesterday* announced a 46 per cent increase in interim pre-tax profits – but warned that the rate of growth could not be sustained at that level during the second half.

Mr Colin Southgate, chief executive, cautioned that a falling-off in consumer confidence would curtail demand for brown goods both in the UK and the US.

Earnings per share growth , which rose 41 per cent to 13.7p in the six months to the end of September, would be held back as a result of the 1–for–4.38 rights issue to finance the £371m acquisition of Rent-A-Center in August.

The note of caution was offset by details of further restructuring at Inmos, the loss-making semiconductor *company. The* closure of its manufacturing operations in Colorado Springs, US, would result in annual savings of $20m as from next January.

HMV *is enjoying buoyant* seasonal sales, and the music division was doing well as a result of *the Beatles CD releases. On bal*ance, however, the £19.2m increase in pre-tax profits to £60.7m and the increase in the interim dividend from 5p to 6p were not enought to prevent the shares being marked down by nearly five per cent.

Reflecting disposals earlier this year, turnover declined from £1.49m to £1.42bn, of which 58 per cent originated in the UK. Operating profits rose from £53.1m to £65.0m, including one *month's contribution from* Rent-A-Center, where trading is buoyant. As a whole, the rental and retail businesses generated profits of £57.3m (£51.6m) on turnover of £519m (£466.2m).

Mr Southgate stressed that the underlying vigour of Thorn's rental's business, saying that the market would only improve as a result of a successful bif for Electronic Rentals by Granada.

Music showed a £6.6m turnaround to a profit of £1.5m on £326.6m (£306.1m) *turnover;* consumer and commercial operations showed a near threefold improvement to £7.6m (£2.7m) on sales of £188.5m (£175.1m). Technology generated profits of £7.3m (£4.4m), despite a loss of £10m (£7m) at Inmos.

The tax rate fell from 43.8 per *cent to 39 per cent; finance* charges fell from £16.8m to £11.7m, with gearing at under 15 per cent.

Colin Southgate, chief executive:consumer confidence declining

Australasians hold fire on Ranks Hovis bid assault

Nikki Tait examines Goodman Fielder's ambitions

GOODMAN FIELDER Wattie, the Australasian food group which holds a 29.9 per cent stake in Ranks Hovis McDougall, yesterday played down any suggestions of an early all-out assault on the British company.

According to Mr Doug Halley, GFW's general manager in charge of treasury – currently in Britain to oversee the launch of a London listing next week – Goodman feels that its hands are full with the aftermath of the Wattie merger at present.

The deal with Wattie, New Zealand's largest food group, became *effective last month,* having been delayed almost 11 months by the New Zealand Commerce Commission.

The Australasian company says that sorting out the enlarged group will take six to 12 months; *it has already said* that it would not bid for RHM before April.

In addition, Mr Halley added that the relative share ratings would pose a problem for an all-paper bid – RHM stands on a higher p/e than GFW. And with Goodman's gearing levels, he *conceded, it would be difficult to* launch a full cash bid.

Goodman's latest annual report – pre-Wattie – showed gearing almost doubled to 153 per cent, and total net debt of A$981m. Yesterday, Mr Halley said that the company hoped to reduce that to the 100 per cent level by its June year-end, through at least one disposal and restructuring elsewhere.

Goodman also disclosed yesterday that it has received offers for its RHM holding - in particular from an unnamed European *group.* "But I don't think we want to sell out," added Mr Halley, "We are quite happy to sit and wait for the moment".

Goodman maintains that it is "keeping its head above water" on the stake; its average purchase is reckoned to be around 310p, against RHM's market price of 304p, but currency movements mean that it is doing rather better in Australian dollar terms.

Requests by Goodman for a seat on the RHM board met a firm rebuff from RHM last month, but the Australasian group says its still hopes for co-operation between the two companies.

Goodman had originally planned to raise money in London at the time of its listing and the company's chairman, Mr Pat Goodman, was due to visit London.

*In the wake of the stock mar*ket collapse, however, the listing is being treated as a low-key affair with no new money raised. The shares are due to start trading here on Wednesday.

Goodman has yet to receive the A$484m due this month from AFP Investment, the Australian investment company, as a result of the renegotiated option deal involving Goodman's 144m shares in Elders IXL.

GFW is currently discussing with the Sydney Stock Exchange whether the revised arrangements with AFP should be put to shareholders. However, Mr Halley said yesterday that Goodman either expects to receive the full *amount this month if share*holder approval is not required, or A$196m upfront and the remaining A$288m once shareholder approval has been secured.

All-round growth helps Dowty to 15% improvement

BY HEATHER FARMBROUGH

Dowty announced pre-tax profits 15 per cent higher for the six months to September 30 of £26.4m, down by £100,000 on currency translation, which also reduced turnover by £1.1m.

Group turnover increased by 14 per cent to £292.8m, with domestic sales growing faster than those overseas.

Earnings per share also rose by 14 per cent to 7.9p (6.9p) after a slight increase in tax charge from £8.4m to £9.9m. The dividend is 2.8p (2.6p).

The information technology division reported the strongest pre-tax increase, with profits 87 per cent higher at £3.5m on turnover up 42 per cent to £31m.

Mr Tony Thatcher, chief executive said the order intake was strong but costs would increase over the second half. Data communication products performed *particularly well.*

Aerospace profits advanced 18 per cent to £12.7m including acquisitions, with civil programmes at Boeing, Airbus and British Aerospace making an increased contribution.

The industrial division increased profits by 40 per cent to £3.4m. The Coventry hydraulics factory was shut a month ago, causing about 100 redundancies.

Mining profits were little changed at £4.9m with demand for longwall equipment falling.

"This will not be a growth business this year," said Mr Thatcher.

Gearing has risen to nearly 40 per cent while the interest charge rose from £1.3m to £3.2m as a result of acquisitions costing about £75m in cash this year. Lord Harrowby, chairman, said, "We are looking for further opportunities, but there is a limit to the level of gearing which is acceptable."

• comment

The Thatcher revolution (no *relation) at Dowty has acceler*ated the changes in Dowty's profile, away from the mining business into technology and defence. Margins have risen to 10.1 per cent, compared with 6.9 per cent in 1983/4. Prospects are good this year for aerospace and electronics which will help counteract dull *prospects for mining.* Although mining is unlikely to set the company on fire, Dowty has done much better than many of its competitors and the division's return on capital is a worthy 20 per cent. Currency fluctuations are unlikely to affect year-end profits by more than £2m, so *these* should reach £62m, giving a year end prospective p/e of eight. The shares are supported by a prospective yield of nearly 7 per cent but there seems little chance of immediate excitement.

Whessoe £4.8m in loss and dividend cut to 1p

A *COMBINATION of £3.1m redundancy and restructuring* costs and the severe shortage of work available to the main UK companies pushed **Whessoe** sharply into the red in the year to September 26.

The troubled engineering company, in which Hong Kong-based Overseas Strategic Investments in October declared a 6.2 per cent stake, saw last time's taxable profits of £4.75m turned into losses of £4.83m on turnover *down slightly from £94.62m at* £93.09m.

The directors proposed a dividend of 1p (3p) leaving that payment as the total (5.5p) for the year. After nil tax (£373,000) losses per 25p ordinary share amounted to 12.7p compared with earnings of 16.3p last time. *Extraordinary items amounted* to £2.54m (£1.8m losses).

Mr George Duncan, chairman, said that during the last financial year considerable progress was made in bringing the cost and base of the group more closely *into line with the level of* demand for its services. The consequent improvement in its competitiveness and in the margins on business won should contribute significantly *to* improving profitability. However, he warned that uncertainty about the prospects for heavy capital plant remained.

Action taken to reduce costs produced better results in the second half of the year. In the first half Whessoe reported losses of £5.36m (£1.37m profits). However, the full impact on the competitiveness, profitability and *cash flow of the group would* only be felt during the current year.

A breakdown of contributions shows: heavy engineering, £748,000 loss (£2.28m profit); high-pressure pipework(Aiton), £1.56m loss (£1.68m profit); and light engineering, £602,000 compared with £789,000.

Wagon Industrial trend continues with 10% rise

GOOD performances with strong profit improvements from its material handling and storage division and engineering division, kept **Wagon Industrial Holdings** on a growth tack in the six months to September 30 last in spite of a reduced profit contribution from the office equipment section.

The improvement in pre-tax profits was *one of 10* per cent from £3.11m to £3.42m on turnover which advanced from £43.13m to £52.97m. The interim dividend goes up 0.5p to 4.5p from earnings of 10.82p (10.18p).

Turnover of materials handling increased from £22.38m to £31.04m with profits up from £2.08m to £2.76m, and in the engineering division sales reached £4.85m (£4.09m);in the office equipment division sales were a little higher at £17.06m (£16.67m) but profits crashed from £770,000 to £253,000 mainly due to the disruption resulting from the closure and integration of operating units and a disappointingstart *to the* year by Vinco in France.

Mr Paul Taylor, chairman, said that having strengthened then base of the group and made some useful acquisitions, the overall strategy of expansion by acquisition in addition to internal growth remains in place.

He *remains confident* that the company will achieve satisfactory trading results in the second half of the financial year.

Trading profit for the half year was up from £3.24m to £3.7m; net financing charges amounted to £276,000 (£134,000) and tax took £1.24m (£1.06m).

Phoenix Timber £0.8m as recovery accelerates

A FAVOURABLE trading climate helped **Phoenix Timber Group** lift taxable profits from £132,000 to £831,000 on turnover up from £17.82m to £21.11m for the six months to September 30 1987.

This compared with pre-tax profits of £641,000 for the year to March, up from a corresponding *loss of £973,000.*

Mr Peter Quinn, chairman, said the board remained confident in the longer-term objectives of the group but cautioned shareholders that in contrast to the favourable conditions prevailing in the first six months, the nature of the industry meant that the second half of the financial year was always subject to adverse seasonal factors.

In addition, trading performance did not improve uniformally throughout the group and the hurricane in October caused heavy damage to group assets.

An interim dividend of 1p (nil) was declared and earnings per 25p share rose 42 per cent to 6.1p (4.3p) after tax of £51,000 (nil).

Operating *costs* amounted to £20m (£16.93m) and interest payable was reduced to £326,000 (£760,000).

Grainger Trust 57% up at £4m

Grainger Trust, property investor and trader, *increased* pre-tax profits by 57 per cent from £2.52m to £3.96m on turnover up from £7.13m to £12.71m for the year to September 30 1987.

A final dividend of 2.58p is proposed making 3.33p (2.67p adjusted) for the year. Earnings per 25p share rose to 13.7p (10.8p restated).

The increase in interest payable at £5.56m (£2.48m) and trading profits, £7.56m (£3.15m) reflected the purchase of the Hatch Warren Development land at Basingstoke and the sale of the first tranche.

Booth Industries

Continuing progress was reported by **Booth Industries,** steel designer and engineer, *in* the half year to September 30, with They are lifting the interim dividend to 1.5p (1p) and have proposed a three for one scrip issue. Earnings worked through at 9.74p (5.77p) per share after tax of £46,000 (£22,000).

BB&EA up midway

British Building and Engineering Appliances, Bedfordshire-based building equipment and plant manufacturer and supplier, posted pre-tax profits more-than-doubled to £203,000 in the six months to end-September.

Turnover rose to £2.76m (£2.22m). Tax took £65,000

Clive Wolman looks at the success story of Smith New Court

Winning with the old ways

Smith New Court has probably done less to change its traditional style of management and operations than any other large Stock Exchange firm since Big Bang. And that has been one of the main reasons for the success, revealed in its half-year results yesterday, both pre- and post-crash.

The switch to telephone dealing forced the firm to abandon *its pitches on the floor of the* Stock Exchange. But it has avoided following the example of virtually all the banks which have imposed control on their newly-acquired market-making arms by subjecting the dealers to a panoply of formal position limits and risk parameters and introducing sophisticated, perhaps over-sophisticated, management accounts.

Smith has neither. Instead, its directors control the firm's exposure to the equity market by spending most of their day in their shirt sleeves down on its trading floor, watching deals and market movements and shouting instructions.

The firm's non-bureaucratic management style - even though it now employs 1,100 people compared with 300 pre-Big Bang - allows it to react swiftly across the board when necessary. Although the firm went into the October 19 crash with a large bull position, the dealers were told to offload their shares as quickly as possible and even to sell into a rally. In addition the firm's exposure was partly covered in the options market. By the end of the third day, *the firm no longer had any significant* exposure to a falling market and its losses had been small.

Smith does not trade in many of the less liquid, smaller company stocks. Although its share of total market-maker business with outside investors is estimated at about 17 per cent, the highest of any firm, it makes markets in only 850 stocks, compared with Warburg Securities' 1,400 and Barclays de Zoete Wedd's 1,700. It therefore avoided the liquidity problems of its two main rivals who were unable to find any buyers for these shares.

If its £6.8m provision is written back, the upsurge in profits and earnings per share in the half year to October 23, compared with the half-year prior to


Tony Lewis, chairman of Smith New Court

Big Bang, is dramatic. But there are caveats. One is that earnings in the same period last year were depressed by heavy spending on equipment and on "golden hello" recruitment payments as the *firm* built up its trading and broking capacity in preparation for Big Bang.

The unexpectedly high profits for the half year can be ascribed to two factors, the massive trad*ing volume in equities between* May and October - running at more than £1bn per day - and the Stock Exchange backlog of unsettled bargains, which reached its peak between April and August. Like other firms which were pre-Big Bang jobbers, Smith New Court is experienced in making full use of its market-making privileges to borrow stock for delivery to the buyers against cash, when the sellers have failed to deliver to it. The cash flow advantage from the early delivery saved substantial sums of interest in the half year.

The slump in trading volumes since mid-November has reduced the size of the cake - from both commissions and market-makers' spreads - for everyone. Unlike other leading market-makers, Smith has failed to gain market share since the crash, probably as a result of unjustified fears about the scale of its losses and even its solvency. The lower volumes are also leading to a removal of the settlements backlog, which is helpful to those firms and investors that have had to borrow money, but not to those who can borrow stock.

At the same time, Smith's *overheads are relatively high,* partly because of the high salaries it offered last year to attract broking analysts and salesmen. Only a small proportion of its remuneration costs are variable *in the form of profit-related pay* or share options.

However its independence and *freedom from outside interfer*ence has enhanced its attractions - and, in the depressed post-crash *job market,* a salary cut *would* probably not trigger defections and it could even continue recruiting. Its experience of integrating analysts into a predominantly trading environment and building up an agency broking business has been fairly successful, with some exceptions, although its commission income remains small.

S&R purchases ICI offshoot for £10m

BY NIKKI TAIT

Scott & Robertson, the Greenock-based packaging prod*ucts and fabrics manufacturer, is* almost to double its polythene film business through the acquisition of Imperial Chemical Industries' British Visqueen subsidiary at Stockton-on-Tees.

ICI will receive around £10m for the business – a basic consideration of £4.5m for the assets, £3.5m for finished goods stocks, and the vendor will also collect the balance of debtors and creditors.

Visqueen has the distinction of being the first polythene film producer in the UK, but ICI says that its strategic importance to the group has disappeared following its withdrawal from polythene polymers manufacture in 1982.

Scott & Robertson already takes in four polythene film operations, two in England and *two in Scotland. The Stockton* plant currently employs 35 people and, according the S & R, has sales of around £35m. It has recently traded at around break-even. The deal will make S & R one of the five largest European polythene film manufacturers.

To fund the deal, S & R is placing approximately £4.5m worth of 7½ per cent convertible redeemable preference shares, underwritten by 3i Corporate Finance. The balance will be financed through a term loan and additional overdraft facilities, provided by Clydesdale Bank.

Scott & Robertson shares were unchanged at 185p yesterday.

Abaco in £2.25m deal

BY STEVEN BUTLER

Abaco Investments, the professional services group, yesterday announced the acquisition of the Norfolk & Suffolk Group, a financial and insurance services company, for £2.25m cash.

The acquisition is to be effected through Provincial Trust, Abaco's Manchester-based banking subsidiary, which is financing the deal through its own facilities. Abaco said the deal was secured prior to the agreed offer for Abaco from British & Commonwealth Holdings, announced on Tuesday.

In 1986, Norfolk & Suffolk's pre-tax profit reached £204,000, on turnover of £804,000. Abaco plans to introduce a range of personal financial services through Norfolk & Suffolk, and to expand the geographic spread of the business.

Evans of Leeds up 10%

Evans of Leeds, property investment and developer, maintained the progressive upward trend in profits for every reporting period since flotation in 1971 with an 10.5 per cent improvement from £2.51m to £2.77m at the pre-tax level for the six months ended September 30.

Revenue was £5.29m (£4.64m) and after tax of £971,000 (£879,000) earnings per 25p share came out at 5.495p compared with 4.97p. The interim dividend is raised from 1.625p to 2p.

Mr John Humphries, chairman, said investments made during the period were principally *of a commercial nature compris*ing some six properties with an overall purchase price in excess of £9m. The acquisitions were currently producing rentals of over £1m per year with attendant appreciation values.

Planning permission has been received for the first phase of the Apex Business Centre, Leeds, and phase one of the Goodramgate, York, development com*prising offices* and and shops has now been fully completed and is let or under offer. Refurbishment of Charlton House, Manchester, has been completed and is now almost fully let.

Bradstock pushes up 32% to hit £6.6m

By Nick Bunker

PROFITS growth has slowed for a second year running at Bradstock Group, the insurance broker which came to the market in June 1985. But it still managed a 32 per cent increase in pretax profits to £6.6m in the year to September 30.

It declared a final dividend of 3.6p, making a total of 6p, up 33 per cent on the previous year. The shares gained 5p to close at 223p.

Bradstock is the holding company for a collection of small insurance and reinsurance brokers, with specialisations including UK professional indemnity business.

Mr David Bradstock, chairman, said the group was gaining market share in each of its three main classes of business. But in view of downward pressure on insurance and reinsurance rates, growth would "not be maintained in the same rate as in the past".

Turnover for the year climbed 31 per cent to £13.1m. Expenses were up 33 per cent at £8.17m. Investment income was £1.71m (£1.22m).

Earnings per share rose 38 per cent to 17.8p.

Irish Distillers well down after rationalisation costs

BY HEATHER FARMBROUGH

PRE-TAX PROFITS at **Irish Distillers,** in which FII Fyffes has a 19 per cent stake, fell from I£12.9m to I£2.8m (£2.5m) after an exceptional item of £10.4m. This relates principally to the rationalisation of production manning levels and work practices.

The exceptional item also represents the imposition of a new marketing strategy in the US, concentrating on the premium sector of the whiskey.

Profit before tax and exceptional item increased to £13.1m on turnover down from £240m to £230m. While market share was gained in the Irish Republic market, especially in gin and vodka, the market was down by 5 per cent.

Mr Richard Burrows, managing director, said rationalisation would result in major productivity improvements with a pay back of two and a half years. This years' profits should benefit by about £3m. Further benefits will be realised when whiskey, now being laid down, has matured and is sold.

Profits would have been £1m higher had it not been for the adverse effect of dollar fluctuations in the US, which accounts for around 11 per cent of group sales.

Borrowings rose to £38.2m (£38.2m) due to payments in respect of rationalisation costs.

Earnings per share after the exceptional item were 2.67p (16.28p). The board is proposing to maintain its final dividend at 15.65p which gives a total for the year of 4.67p.

Mr Burrows said there had been no further talks with FII Fyffes, the Dublin-based fruit and vegetable merchant, since those in November.

"We are unlikely to see any improvement in the Irish market over the present year," he added.

● comment

Irish Distillers must be praying that FII Fyffes is content with just under 20 per cent of the shares. Although the scope of the profit fall was expected, shareholders as yet have only the company's word that prospects and profits will improve. Acts of faith usually hold little attraction for shareholders faced with a good offer in a company whose basic market shows no signs of improvement. Fyffes may believe its distribution skills and desire to build up its Irish base are strong enough to justify a trip into the risky spirit world. Irish may be doing the right things, but time is not on its side.

Drayton Japan stakes

BY NIKKI TAIT

RIVAL STAKE-building at **Drayton Japan,** the £200m MIM-managed investment trust, is stepping up a gear. MIM-Britannia yesterday announced that it had acquired a further 1.575m ordinary shares, lifting its interest to 5.09m, which together with 1,011 preference shares brings its voting stake to 20 per cent.

But AJS Partners, the New Jersey-based investment partnership which has already had proposals for a recommended bid rebuffed by Drayton, acquired an additional 512,089 preference shares on Wednesday, taking its voting stake to 25.25 per cent.

Flexello recovers

Flexello Castors & Wheels has *recovered most of the* ground lost last year with pretax profits for the year to September 30 rising from £579,000 to £753,000, leaving it just £33,000 short of 1984-85.

After tax of £303,000 (£251,000), earnings per 25p ordinary emerge at 13.6p (9.94) for the increased dividend of 4.5p (4.1p) with a final of 3.1p.

COMMODITIES AND AGRICULTURE

Iran isolated in demand for Opec price increase

BY RICHARD JOHNS IN VIENNA

IRAN, still doggedly insistent on an oil price increase to a minimum of $20 per barrel, yesterday placed itself truculently in a position of virtual isolation on the second day of the Organisation of Petroleum Exporting Countries conference here.

The majority of delegations agreed that the only option open to Opec was to strive for maintenance of the fixed price formula based a central reference of $18 set a year ago, which recently has been badly eroded.

Mr Gholamreza Aghazadeh Iran's minister of Oil went so far as to tell other delegates that a price rise of $4 per barrel was required to compensate for depreciation of the dollar and inflation.

He also threatened to flood the market with Iranian output of 4m barrels a day – compared with its quota under Opec's current production sharing pact of 2.37m barrels a day.

Because of lack of investment it is believed that Iran's optimum output capacity at present has fallen to something like 2.7-2.8m b/d.

This morning chief delegates will discuss the maximum ceiling on collection production in 1988 and the level best calculated to sustain the increasingly eroded $18 per barrel reference price.

Mr Hisham Nazer, Saudi Arabia's Minister of Oil, reacted angrily yesterday to suggestions that the Arab producing states of the Gulf had mounted a concerted effort to cast Iran in an "outcast role".

The Saudi Chief delegate is believed to be under strict instructions to avoid a confrontation with Iran at this conference, which is more bedeviled than any other previous meeting by the consequences of the seven-year-old Gulf conflict.

Nevertheless there was little doubt last night that the conservative Arab producers of the Gulf allied with Iraq to contemplate an agreement excluding Iran.

Iraq, its adversary in the protracted war, is apparently prepared to accept formally a quota equal to that of Iran under a deal worked out with its paymasters Saudi Arabia and Kuwait. Since the summer of 1986 it has refused to be a party to any output sharing agreement.

Mainstream members of Opec not directly involved in the Gulf war – Venezuela, Indonesia and Nigeria – were clearly disturbed by the way in which positions at this meeting have been polarised by the conflict.

At the same time Algeria and Libya, Iran's traditional allies in its campaign to maximise per barrel revenues, evidently believe that an output policy aimed at maintenance of $18 per barrel is the only feasible objective for Opec.

The feudal arab producing states of the Gulf are proposing an average ceiling of 18.2m barrels a day next year varied on a quarterly basis.

Diamonds 'can weather storm'

By Kenneth Gooding, Mining Correspondent

DEMAND FOR large, top-quality gem diamonds is bound to experience some weakness in the months ahead but the diamond market overall is unlikely to suffer significantly, apart from a noticeable move towards slightly cheaper jewellery, suggests Shearson Lehman in its latest weekly mining newsletter.

Analyst Mr Peter Miller contrasts the factors which caused the severe contraction in the diamond market in the period from 1980 to 1985 and those existing today as "the prospects for an economic recession beginning sometime in 1988 grow increasingly more likely."

He points out that the elements of the turmoil in the first half of the 1980s included:

- **The dishoarding of over $5bn worth of diamonds from dealers, cutters and speculators following the "excesses of the spectacular 1977-80 boom."**
- **Fears of future oversupply caused by the large new diamond mines of Jwaneng and Argyle coming on stream in 1982 and 1985 respectively.**
- **Fears about the ability of De Beers to maintain its control over the world's diamond markets as its balance sheet deteriorated and it faced the high cost of financing stocks built up by its Central Selling Organisation subsidiary.**
- **High interest rates which made the cost of holding diamonds prohibitive.**
- **A dramatic drop in the demand for large, top-quality gemstones.**

Apart from the possibility of a drop in demand for large diamonds, none of the other factors have any relevance today, Mr Miller insists.

There are no significant diamond stockpiles outside the Central Selling Organisation and there are no known plans to bring any large diamond mines into production in the foreseeable future.

De Beers balance sheet is once again strong and its control of the diamond market is "unquestioned".

Mr Miller says: "Not surprisingly, unconfirmed industry sources suggest that the first CSO sight (when merchants view what De Beers has to offer) after Black Monday was not very well received. The combination of the 10 per cent price increase on October 4 along with market concerns over a possible slump have apparently combined to put a partial brake on dealers' enthusiasm for taking new gemstones into stock".

Nancy Dunne on a controversial market support programme

US agonises over sugar policy

THE ANNUAL sugar debate was on again last week at the US Department of Agriculture's outlook conference, with no sign that the controversy over the US price support programme was ebbing.

This year, in fact, the dispute has taken a new turn over a proposal in Congress to allow the import, refining and then re-export of 400,000 tonnes of sugar outside the regular quota.

The plan is designed to provide some help for the Caribbean countries and the Philippines, which argue that their economies have suffered from the ever-tightening quotas. The raw sugar would be imported at US prices and then would be sold on the world market with sales from USDA stocks subsidising the difference between the high domestic cost and the lower world price.

Needless to say, the USDA, which is already under instruction to produce drastic budget cuts, is the first in line to oppose the scheme.

A recent circular sent to Capitol Hill contends that the Department must use its surpluses to promote exports of US commodities not foreign-produced products. The USDA estimated that it would take seven months to implement the proposal after Congressional approval, leaving only two months for its operation in the 1988 financial year. There would then be only enough time to refine and re-export 140,000 tonnes in that period, the Department said.

The scheme would not be needed at all if there were no sugar quotas, critics say. They contend that since 1982, when the protection was first imposed, the programme has cost American consumers over $18bn, while Japan and the Soviet Union have benefited from the lower world prices. And, according to Mr Hammer, Moscow has been able to make friends in Central America by increasing its imports between 1981 and 1986 more than tenfold.

"As US imports have fallen, Russian influence as a trading partner has expanded," he said. "The ties created by trade are strong – even in commodities – and in the long run this could be the sugar program's most damaging legacy, making losers of us all."

Mr Ravnholt scoffed at the assertion that the sugar programme can be held responsible for "the spread of communism among developing countries from the Caribbean to the Philippines."

"I recall that the US was buying nearly all of Cuba's sugar at a premium when Fidel Castro took over, and it didn't save Cuba from going Communist," he said.

Under the quotas the producing countries at least get the higher domestic sugar price for their product, he said, defending this as "a real boon compared to their revenues from sales on the world 'dump' market, where prices have been ravaged by EC subsidised dumping policies."

For his part, Mr Hammer admitted that, initially, some of the exporting countries benefited from the 18 cents price, but those gains had evaporated as imports declined from 5m tonnes in the late 1970's to 1m tonnes, he said.

Many expect the quota to fall to 700,000 tonnes or less in 1988 and to zero thereafter.

An analysis commissioned by the US State Department concluded that net loss to quota holders in 1987 was about $800m. "The claim that the price premium still makes exporters better off than they would be in the absence of quotas is specious," the study says.

Meanwhile, Mr Hammer said, the loss has rebounded against the US economy because sugar exporting countries that were once good customers for US agricultural and manufactured products have gradually lost the wherewithal to purchase US exports.

Opponents of the programme have introduced a widely-discussed Bill in Congress, which would gradually reduce the support price over a four-year period. Backers say it would move the US Government from a position of guaranteeing the profitability of inefficient producers to one of providing a safety net for efficient ones.

Meanwhile, as can be expected, the sure outcome of the sugar support programme has been higher US production. Under the stimulus of assured prices beet sugar acreage rose by 8 per cent in 1986-87, followed by an increase of 5 per cent this year. Cane production was up 4 per cent last year and nearly 4.4 per cent this year. Sugarbeets, said Mr Robert Barry, a USDA analyst, yielded $100 an acre for the 1985 crop and $176 an acre for 1986.

With continued high prices, 1988 acreage is unlikely to decline, he said. However, demand is now suffering because of one unforeseen free market development – imports of sugar-containing products have trebled since 1981.

"The US sugar program is a major success story. It has permitted the domestic sugar industry to survive in a period of almost unprecedented disaster in American agriculture. It has done so virtually without cost to the US Government"... Mr Eiler Ravnholt, vice chairman of the US Sweetener Producers Group.

"The precipitous decline in sugar imports is simply the most prominent of the many symptoms that tell us there is something wrong with the US sugar program"... Mr Thomas Hammer, president of the Sweetener Users' Association.

Deer slaughter Bill goes for second reading

By David Blackwell

A BILL aimed at introducing strict controls on the slaughter of deer raised on farms will have its second reading in the House of Commons today.

Ms Emma Nicholson, MP, who introduced the Slaughter of Deer Bill, said this week that 30 per cent of all farmed deer are at present slaughtered in abattoirs without proper controls or provisions.

Ms Nicholson's Bill would lead to strict controls on slaughterhouses, and a ban on the killing of deer in knackers' yards.

The Bill, which is supported by the Government, has been welcomed by the British Deer Society, the British Veterinary Association and the RSPCA.

US dismayed at 'weak' farm trade proposal

BY NANCY DUNNE IN WASHINGTON

MR RICHARD Lyng, the US Agriculture Secretary, has expressed dismay that the farm trade reform proposal tabled by Norway, Sweden and Finland in the Uruguay Round is "weak" in the area of market access.

The Secretary expressed approval that the Nordic countries "endorsed the aggregate approach to negotiating the reduction of overall levels of support and protection" for agriculture. He was disappointed, however, that they did not call for the elimination of all subsidies.

Even more important, he said, was the weakness of the proposal on market openings.

"The removal of barriers to market access is an indispensable part of any effort to reduce the overall level of support and protection in agriculture around the world," he said. "The Nordic proposal merely to reduce and bind more tariffs and to improve the rules for existing non-tariff barriers is simply not enough."

Mr Lyng, who has called for the total elimination of subsidies by the year 2000, said he is also opposed to the Nordics' call for immediate short-term measures to be taken only by exporting countries.

He said it was clear that the current crisis in agriculture was the result of measures taken by all countries, whether exporters or importers, and that any solution would require action by all nations.

EC countries win swine fever battle

BY TIM DICKSON IN BRUSSELS

EUROPEAN Community Farm Ministers agreed yesterday that certain regions of the Netherlands, France and Greece should be officially declared free of classical swine fever.

The move will enable producers there to market their fresh meat without restrictions.

The proposal from the European Commission was based on scientific evidence which confirmed that there had been no outbreaks of the disease or vaccinations of pigs in the last 12 months and that there were no vaccinated animals in herds.

Classical swine fever – which does not endanger human health but has certain debilitating effects on pigs – is a highly sensitive issue in Britain, Denmark and Ireland because these countries are largely free of the disease.

Britain is particularly concerned to safeguard its growing business in pigmeat exports.

Mr John MacGregor, Britain's Agriculture Minister, cautioned yesterday that "one false step could undo all that has been achieved so far" by the Community's campaign to eradicate the disease. But he said that firm assurances had been provided by the ministers of the countries concerned that if a new outbreak occurred in the newly designated regions effective measures would be taken immediately.

Earlier this year Farm Ministers of the 12 agreed a directive which will run for five years and which will involve a phasing-out of routine vaccination, which Community officials say sometimes disguises the disease.

Member states are required to slaughter pigs following an outbreak and impose bans on the movement of animals and, for the first time, on lightly processed pigmeat products

Yesterday's Farm Council also approved quotas for imports of various types of meat for 1988, in line with commitments given under the General Agreement on Tariffs and Trade (Gatt). These are for 50,000 tonnes of frozen beef – much of it from the so called ACP (African, Caribbean and Pacific) countries like Botswana – 29,800 tonnes of high quality Hilton beef from the US and other destinations, including Argentina, and 2,250 tonnes of buffalo meat.

Brazilian mine sets tin target

BY PATRICK KNIGHT

BRAZIL'S Paranapanema mining company says that it will increase output at its Pitinga mine if the tin price rises above about $8,200 a tonne.

Already the world's largest tin mine, producing 20,000 tonnes of ore a year at a cost of only about $3.5 a kg, Pitinga is now responsible for 12 per cent of world production.

Mr Samuel Hannan, a Paranapanema director and president of the Brazilian Association of Tin Producing Companies, estimated that about 156,000 tonnes of tin would be produced world-wide this year. With consumption running at about 175,000 tonnes a year current stocks of about 45,000 tonnes, held by Malaysian banks and consumers, would fall to the minimum "safe" level of about 25,000 tonnes towards the end of 1988, he forecast.

Paranapanema fears that if the price rises significantly tin will not win back the ground it has lost to cheaper competitors and could even lose more.

If the Association of Tin Producing Countries (ATPC) fails to agree to increase production at its meetings in January or February Paranapanema will fill the gap, Mr Hannan stated. In any case, he added, the tin crisis was over and the Brazilians would like to see the London Metal Exchange tin contract re-opened in 1988.

The Brazilians calculate that production by countries belonging to the ATPC will be 96,000 tonnes this year. The Brazilian companies will have produced 27,000 tonnes, 5,000 tonnes will have been released from the US strategic stockpile, China will contribute about 10,000 tonnes, and other producers about 18,000 tonnes.

Even if demand did not rise the market would reach equilibrium for a short time late in 1988, then stocks would quickly fall below the critical level of about 25,000 tonnes.

Whatever happens in the markets, in July 1988 Paranapanema will start to extract 80,000 cubic metres of ore-bearing soft rock from a primary ore body located within the area of the Pitinga alluvial workings and probably the original source of the high grade tin now mined.

In addition to an estimated 300,000 tonnes of tin in the 40-metre upper weathered zone there are also large quantities of niobium, tantalum and zirconium. There is also yttrium, a mineral which will be required in increasing quantities in the super-conductor industry.

Paranapanema's gross profits amounted to [illegible]60m tonnes in the first nine months of 1987 but net profits were down from 1986 because of higher financial costs. The company's exports of 17,000 tonnes earned $109m in 1986 and in the first nine months of this year exports of 11,349 tonnes earned $[illegible]m.

In 1987 total production will be 3.5 per cent more than last year's 19,455 tonnes if things are going well for Paranapanema. The smaller Brumadinho Mining Company, Brazil's third largest, producing between 3000 and 2,300 tonnes a year, suspended payment of creditors last week. The ore grades at Brumadinho's deposits are far lower than those at Pitinga mine.

Paranapanema is not alone in being able to survive at the present price, however. Canopus Mining, a Rhodia subsidiary, produced 1,000 tonnes of tin in 1986 and 1,200 tonnes this year. And output is forecast to reach 2,000 tonnes in 1988.

India 'to be aluminium exporter'

INDIA, now a net aluminium importer, will become a surplus producer in 1988/89, Mrs Ramdulari Sinha, the Minister of State for Mines, has told Parliament, **reports Reuter from New Delhi.**

She said India will have an additional production capacity of 218,000 tonnes when the state-owned National Aluminium Company completes construction of a new complex in the eastern state of Orissa. Officials said the plant, to be completed in 1989, will boost India's production capacity to 500,000 tonnes a year.

- Comalco of Australia is co-operating with Soviet officials in planning a feasibility study into the establishment of integrated aluminium facilities in the Soviet Union, Mr Ian Gould, Comalco Mineral Products' managing director, said.

Substantial support for a joint investigation into raising Australian bauxite exports to the Soviet Union was generated in government-to-government talks during Australian Prime Minister Bob Hawke's recent visit to Moscow, he said.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC PRICES continued Wednesday's easier trend, reflecting sterling's firmness against the dollar and news of the ending of a Peruvian miners' strike. The cash position ended £7 down at £471 a tonne, the lowest price since November 11. Othe LME prices also came under pressure with cash grade A copper adding £35 to Wednesday's £24 fall and cash zinc losing £a similar amount. In contrast the cocoa market rallied from the 5-year lows reached earlier in the week. But the gains, which were linked to technical tightness of nearby supplies, were pared back because of sterling's firmness and the March position closed £14 up on the day at £1,049 a tonne, £9 below the peak. Dealers said the market appeared to be consolidating following the disappointment caused by the failure of last week's International Cocoa Agreement talks

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$16.20-16.30	-0.10
Brent Blend	$17.78-17.87	-0.20
W.T.I.(1 pm est)	$18.30-18.35	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	176-178	-1
Gas Oil	158-161	
Heavy Fuel Oil	79-80	
Naphtha	151-153	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$487.50	+3.75
Silver (per troy oz)♣	682c	+12
Platinum (per troy oz)	$495.50	+0.50
Palladium (per troy oz)	$118.00	-0.25
Aluminum (free market)	$1730	
Copper (US Producer)	122½-30½c	+1.25
Lead (US Producer)	42c	
Nickel (free market)	325c	+3
Tin (European free market)	£3810	-15
Tin (Kuala Lumpur market)	18.95r	
Tin (New York)	319.50c	+0.50
Zinc (Euro. Prod. Price)	$860	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	108.85p	+4.04*
Sheep (dead weight)†	208.41p	+4.92*
Pigs (live weight)†	75.02p	+1.90*
London daily sugar (raw)	$207.00w	+4.40
London daily sugar (white)	$211.20w	+3.70
Tate and Lyle export price	£221.00	+3.00
Barley (English feed)	£109.00	
Maize (US No. 3 yellow)	£134.00	
Wheat (US Dark Northern)	£92.25	+0.25
Rubber (spot)♥	61.50p	-0.50
Rubber (Jan) ♥	63.75p	-0.25
Rubber (Feb) ♥	63.75p	-0.25
Rubber (KL RSS No 1 Jan)	268.50m	+0.50
Coconut oil (Philippines)§	$520v	
Palm Oil (Malaysian)§	$390	-10
Copra (Philippines)§	$350	
Soyabeans (US)	£147	+1
Cotton "A" index	74.20c	-0.30
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. v-Jan/Feb. x-Nov/Dec. z-Jan. y-Feb/Mar. u-Jan/Mar † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low	
Dec	1020	1003	1022	1003
Mar	1049	1035	1058	1036
May	1068	1057	1075	1056
Jly	1088	1075	1096	1076
Sep	1108	1094	1115	1096
Dec	1133	1118	1135	1118
Mar	1158	1143	1157	1152

Turnover: 5020 (5464) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for December 10: 1373.17 (1338.66) .10 day average for December 11: 1401.65 (1408.97).

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1215	1227	1229	1212
Mar	1236	1248	1251	1231
May	1254	1271	1269	1251
Jly	1268	1286	1286	1269
Sep	1285	1300	1297	1285
Nov	1303	1317	1317	1317
Jan	1330	1340	1332	1332

Turnover: 2955 (1705) lots of 5 tonnes
ICO indicator prices (US cents per pound) for December 9: Comp. daily 115.57 (115.81); 15 day average 115.98 (115.97).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	183.60	181.60	184.00	182.00
May	183.40	181.80	184.00	181.80
Aug	183.40	182.20	184.00	182.20
Oct	184.60	183.00	185.00	183.00
Dec	186.60	184.80		
Mar	190.60	189.20	189.80	189.00
May	192.60	190.00		
White	**Close**	**Previous**	**High/Low**	
Mar	218.00	215.50	217.50	214.50
May	222.00	220.00	221.00	218.70
Aug	226.00	224.00	225.40	222.00
Oct	226.00	225.00	224.50	224.00
Dec	227.00	226.00	225.50	
Mar	232.00	231.00	230.00	229.00
May	236.00	235.00		

Turnover: Raw 2565 (2341) lots of 50 tonnes; White 2470 (956).
Paris- White (FFr per tonne): Mar 1207, May 1226, Aug 1250, Oct 1255, Dec 1265, Mar 1295.

GAS OIL $/tonne

	Close	Previous	High/Low	
Jan	158.00	157.50	160.25	157.50
Feb	154.25	154.50	157.25	154.25
Mar	150.75	150.50	153.00	150.75
Apr	147.00	147.00	149.50	147.00
May	147.00	146.00	147.00	146.75
Jun	147.00	146.50	147.00	147.00

Turnover: 2887 (9617) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	115.60	115.25	115.90	115.15
Mar	117.05	116.45	117.15	116.35
May	119.10	118.65	119.30	118.40
Jly	121.80	121.00	122.00	120.80
Sep	103.50	103.60	103.50	
Nov	105.50	105.55	105.50	
Jan	108.15	108.15		
Barley	**Close**	**Previous**	**High/Low**	
Jan	107.60	107.65	107.60	107.50
Mar	109.15	109.15	109.40	109.00
May	110.50	110.30	110.50	
Sep	97.70	97.70		
Nov	100.10	100.10		
Jan	102.35	102.35		

Turnover: Wheat 407 (236), Barley 94 (65) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1730-40	1735-45		1725-35		
3 months	1695-1705	1705-15		1705-15	1700-10	2,807 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 38,000 tonne
Cash	953-6	965-7		959-60		
3 months	914-16	932.5-3	935/914	929-30	917-18	57,924 lots
Copper, Grade A (£ per tonne)						Ring turnover 44,100 tonne
Cash	1432-3	1465-70	1442/1430	1435-40		
3 months	1272-2.5	1308-9	1285/1250	1285-6	1273-3.5	81,230 lots
Copper, Standard (£ per tonne)						Ring turnover 200 tonne
Cash	1376-85	1420-5	1390	1380-1400		
3 months	1250-80	1285-90	1270	1265-70		45 lots
Silver (US cents/fine ounce)						Ring turnover 20,000 ozs
Cash	680-3	667-70	669	669-70		
3 months	693-6	680-3		682-4	695-700	715 lots
Lead (£ per tonne)						Ring turnover 7,775 tonne
Cash	356-7	350-50.5	354	354-5		
3 months	342-3	338-9	344/338	341.5-2	343-4	12,476 lots
Nickel (£ per tonne)						Ring turnover 2,590 tonne
Cash	3880-3900	3920-30		3885-95		
3 months	3840-5	3870-80	3880/3810	3830-40	3830-40	9,426 lots
Zinc (£ per tonne)						Ring turnover 7,250 tonne
Cash	470.5-1.5	477-9	477	477-8		
3 months	473-3.5	479-80	480/470	479.5-80	472.5-3.5	13,978 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	96.50	98.00	98.00	97.00
Mar	87.10	88.00	86.00	
Apr	142.80	143.50	144.00	142.50
May	156.00	156.60	156.00	
Nov	85.00	85.50		
Nov	92.50	90.00		

Turnover: 75 (153) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	142.50	140.00	142.00
Apr	136.00	135.00	
Jun	125.50	124.50	
Aug	122.50	123.00	
Oct	122.50	122.80	
Dec	123.50	124.00	

Turnover: 3 (36) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low	
Jan	1269.0	1291.0	1290.0	1265.0
Apr	1290.0	1298.0	1290.0	1279.0
Jly	1137.5	1154.0	1149.0	1130.0
Oct	1230.0	1247.5	1230.0	1230.0
BFI	1267.0	1270.0		

Turnover: 369 (354)

FRUIT AND VEGETABLES

Oranges and apples are stable, reports FPVB. Satsumas and clementines are up to 25-40p (25-35p) with increased demand for Xmas. Sharon fruit are down to 25-40p each (30-40p) as supplies build. Pineapples, 50p-£1.80 each, and avocados, 25-60p each, continue in good supply. Brussels sprouts are in peak supply, but have risen to 25-40p (25-35p) as seasonal demand increases. English cauliflowers 55-75p each (40-60p) are up as the end of the season approaches. English white potatoes are up to 11-14p (10-13p) as top quality supplies come into the shops. Imported calabrese is cheaper at 75p-£1.00 (80p-£1.00) as supplies increase. Imported celery, 40-60p a head, and tomatoes, 50-75p, are widely available but round lettuces, hit by recent frosts, are at 35-50p each (30-40p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	487¼-487¾	266¾-267
Opening	484½-485	268½-269
Morning fix	484.50	268.525
Afternoon fix	488.00	266.594
Day's high	489¾-489	
Day's low	483½-484	
Coins	**$ price**	**£ equivalent**
US Eagle	501-506	274-277
Maple leaf	501-506	274-277
Britannia	501-506	274-277
Krugerrand	486-489	266-268
1/2 Krug	254-263	138¾-143¾
1/4 Krug	126-134	68¾-73¼
Angel	498-503	272-274¾
1/10 Angel	51-56	27¾-30½
New Sov.	114½-115½	62½-63¼
Old Sov.	114½-115½	62½-63½
Noble Plat	508-516	281¾-286

Silver fix	p/fine oz	US cts equiv
Spot	372.90	672.60
3 months	380.85	685.90
6 months	389.20	699.50
12 months	405.75	727.20

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1725	45		30	94
1750	33		42	
1800	15½		57	
Copper (Grade A)	**Calls**		**Puts**	
Strike price $ tonne	Jan	Mar	Jan	Mar
2350	224	250	110	260
2450	172	211	157	330
2550	128	177	213	404
Copper (Grade A)	**Calls**		**Puts**	
Strike price £ tonne	Jan	Mar	Jan	Mar
1325	61		36	
1350	48		50	
1375	37		64	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	492.3	484.5	492.5	485.0
Jan	493.9	486.1	0	0
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz. [illegible]

COPPER 25,000 lbs; cents/lbs [illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	501.7	492.6	499.0	499.0
Jan	504.7	495.8	507.0	496.0
Apr	513.7	504.6	515.5	505.0
Jul	522.7	513.1	523.0	517.0
Oct	531.3	521.6	532.5	526.0
Jan	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel [illegible]

HEATING OIL 42,000 US galls, cents/US galls [illegible]

COCOA 10 tonnes; $/tonnes [illegible]

COFFEE "C" 37,500lbs; cents/lbs [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs [illegible]

COTTON 50,000; cents/lbs [illegible]

ORANGE JUICE 15,000 lbs; cents/lbs [illegible]

FOOD INDUSTRY

The FT is proposing to publish this survey on Friday 22nd January 1988. For full details contact: MARK JONES on 01 248 8000 Ext 3365

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 9	Dec 8	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: December 31 1974 = 100)

	Dec 9	Dec 8	mnth ago	yr ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel [illegible]

SOYABEAN OIL 60,000 lbs; cents/lb [illegible]

SOYABEAN MEAL 100 tons; $/ton [illegible]

MAIZE 5,000 bu min; cents/56lb bushel [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel [illegible]

LIVE CATTLE 40,000 lbs; cents/lbs [illegible]

LIVE HOGS 30,000 lb; cents/lbs [illegible]

PORK BELLIES 38,000 lbs; cents/lb [illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hits record low

A RECORD US trade deficit for October created near panic selling of the dollar yesterday. Some semblance of order was restored after intervention by central banks but the US unit still finished well below its previous record lows against the D-Mark and yen.

October's deficit widened to $17.63bn which was considerably worse than than September's $14.08bn shortfall and easily exceeded the most gloomy prediction, which was nearer $16bn.

Analysts were quick to point out that with the unexpected size of the deficit, the dollar was entering a new ball game. The extent of its decline had clinically knocked out all the chart points and with the US Federal Reserve Board not expected to intervene with enough vigour to provide a base, the dollar was seen as being asked to take the strain.

Dealers added that higher US rates could provide some support but the effect on equities would make the chances of a recession more likely.

Central banks intervened to reduce the scale of volatility, following the announcement. The Bundesbank and US Federal Reserve were both active, in concert with several other leading central banks. However dealers stressed that, given the current gloomy outlook for the dollar, intervention at the moment could slow but not reverse the trend.

"We are going to need more than just buying by central banks to stop the dollar from going on a one way trip," said one dealer. He added, "I would not have given much for the chances of seeing a two dollar pound but now almost anything is possible."

The dollar touched a record low of DM1.6340 before recovering slightly to finish at DM1.6365, down from DM1.6640 on Wednesday. It quickly broke through the Y132 level against the yen, falling to a record Y129.30 before closing at Y129.40, down from Y132.40. Elsewhere it slumped to SFr1.3345 from SFr1.3805 and FFr5.5575 compared with FFr5.6375. On Bank of England figures, the dollar's exchange rate index fell from 95.2 to 94.2.

Sterling benefited from the dollar's decline, reaching its best level in dollar terms since May 1982. However there was no real test of the DM3.00 level and any intervention by the Bank of England was on a modest scale. Despite this, traders pointed out that upward pressure on the pound was likely to increase and that the prospect of an early cut in base rates had been considerably enhanced.

The pound rose to $1.8305 from $1.8025 but was down slightly down against the D-Mark at DM2.9950 from DM2.9975. It was also lower against the yen at Y236.75 from Y238.75. Elsewhere it finished at SFr2.4425 from SFr2.4525 but rose against the French franc to FFr10.1725 from FFr10.1625.

On Bank of England figures, the pound's exchange rate index rose to 76.0 from 75.8 at the opening and Wednesday's close.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 129.40. November average 135.90. Exchange rate index 235.5 against 223.0 six months ago.

The effects of a sharp decline in Japan's trade surplus in November were limited in Tokyo as attention remained focused on the release of US trade figures.

£ IN NEW YORK

	Latest	Previous Close
£ Spot	1.8265-1.8275	1.8040-1.8050
1 month	0.03pm-par	0.03-0.02pm
3 months	0.28-0.24pm	0.26-0.24pm
12 months	1.18-1.08pm	1.13-1.06pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Dec 10	Previous
8.30	am	75.8	75.8
9.00	am	75.8	75.8
10.00	am	75.8	75.8
11.00	am	75.8	75.8
Noon		75.8	75.8
1.00	pm	75.8	75.8
2.00	pm	76.0	75.8
3.00	pm	76.1	75.8
4.00	pm	76.0	75.8

CURRENCY RATES

	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.76631	0.688529
U.S Dollar	6½	1.3642	1.24107
Canadian $	8.75	[illegible]	1.62022
Austrian Sch.	3	15.9496	14.5230
Belgian Franc	7	47.4314	43.2173
Danish Krone	7½	8.72920	7.95528
Deutsche Mark	2½	2.2648	2.06515
Neth.Guilder	3½	n/a	2.32230
French Franc	9½	7.6904	6.99904
Italian Lira	12½	n/a	1521.56
Japanese Yen	2½	180.27	164.070
Norway Krone	8	n/a	7.99569
Spanish Peseta	-	n/a	138.380
Swedish Krona	7½	n/a	7.46754
Swiss Franc	2½	n/a	1.68662
Greek Drach.	20½	178.885	162.717
Irish Punt	-	n/a	0.775865

C$/SDR rate for Dec 9,1.78467

CURRENCY MOVEMENTS

	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Dec.10	£	$
[illegible]	[illegible]	[illegible]
S. Al (Fa)	5.4870-5.6570	3.0075-3.1005
Taiwan	52.45-52.70	29.15-29.25
U.A.E.	6.6945-6.7005	3.6725-3.6795

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2173	+1.79	+0.95	±1.5344
Danish Krone	7.85212	7.95528	+1.31	+0.47	±1.5404
German D-Mark	2.05853	2.06515	+0.32	-0.52	±1.0981
French Franc	6.90403	6.99904	+1.38	+0.54	±1.3674
Dutch Guilder	2.31943	2.32230	+0.12	-0.72	±1.5012
Irish Punt	0.768411	0.775865	+0.97	+0.13	±1.6684
Italian Lira	1483.58	1521.56	+2.56	+2.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

December 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8010-1.8310	1.8300-1.8310	0.03-0.01cpm	0.13	0.26-0.23pm	0.54
Canada	2.3547-2.3880	2.3870-2.3880	0.04-0.13cdis	-0.43	0.13-0.23dis	-0.30
Netherlands	3.36¼-3.37¼	3.36½-3.37½	1¼-1cpm	3.78	3½-3¼pm	4.08
Belgium	62.62-62.94	62.85-62.95	19-3cpm	2.10	42-21pm	2.00
Denmark	11.51½-11.58¼	11.57¼-11.58¼	⅜-2⅜oredis	-1.43	2⅜-4⅜dis	-1.21
Ireland	1.1225-1.1310	1.1270-1.1280	0.05pm-par	0.27	0.10pm-0.05dis	-0.27
W. Germany	2.98¾-3.00	2.99-3.00	1⅜-1⅛pm	4.76	3⅜-3⅛pm	4.76
Portugal	241.61-244.17	242.15-243.15	75-53cpm	3.17	230-164pm	3.25
Spain	202.30-209.15	202.65-202.95	60-81cdis	-4.17	204-255dis	-2.51
Italy	2205-2217	2210½-2211½	2-5liredis	-1.90	11-16dis	-2.44
Norway	11.57-11.68	11.67-11.68	5⅜-6⅜oredis	-6.04	16⅜-18⅜dis	-6.04
France	10.14½-10.18¾	10.16¾-10.17¾	par-1⅛cdis	-0.66	1⅜-2⅜dis	-0.79
Sweden	10.83-10.91½	10.90½-10.91½	⅛-1⅛oredis	-0.69	1⅛-2⅛dis	-0.78
Japan	236¼-238½	236¼-237¼	1⅛-1⅛pm	3.48	2⅛-2⅛pm	4.12
Austria	21.04-21.13	21.10-21.13	7⅜-6⅛gropm	4.12	23⅜-20⅜pm	4.12
Switzerland	2.43¾-2.45¾	2.43¾-2.44¾	1-⅞cpm	4.30	2⅞-2⅝pm	4.50

Belgian rate is convertible francs. Financial franc 63.10-63.20. Six-month forward dollar 0.61-0.56cpm 12 month 1.15-1.05pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

December 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8010-1.8310	1.8300-1.8310	0.03-0.01cpm	0.13	0.26-0.23pm	0.54
Ireland†	1.5980-1.6235	1.6195-1.6205	par-0.05cdis	-0.19	0.21-0.11pm	0.40
Canada	1.3025-1.3065	1.3050-1.3060	0.05-0.08cdis	-0.60	0.29-0.32dis	-0.95
Netherlands	1.8380-1.8710	1.8410-1.8420	0.61-0.56cpm	3.76	1.55-1.50pm	3.27
Belgium	34.30-34.96	34.30-34.40	7.00-4.00cpm	1.90	15.00-10.00pm	1.44
Denmark	6.30¾-6.40¾	6.32¼-6.32¾	0.40-1.10oredis	-1.42	2.40-3.10dis	-1.72
W. Germany	1.6340-1.6635	1.6360-1.6370	0.64-0.61pfpm	4.51	1.80-1.75pm	4.27
Portugal	133.80-134.20	133.95-134.05	50-100cdis	-6.68	175-215dis	-5.77
Spain	110.69-112.64	110.80-110.90	35-50cdis	-4.54	120-150dis	-4.81
Italy	1207-1226	1207½-1208½	1.50-2.50liredis	-1.96	8.00-10.00dis	-2.98
Norway	6.36½-6.44¼	6.37¼-6.38	3.15-3.50oredis	-6.43	10.40-10.80dis	-6.59
France	5.55½-5.64	5.55¼-5.56	0.30-0.50cdis	-0.85	1.50-1.80dis	-1.17
Sweden	5.93¾-6.00¾	5.95¾-5.96¼	0.25-0.55oredis	-0.80	1.75-2.15dis	-1.30
Japan	129.30-132.20	129.35-129.45	0.41-0.38ypm	3.69	1.18-1.14pm	3.51
Austria	11.51½-11.70¼	11.54¼-11.54¾	4.25-3.25gropm	3.85	11.00-9.00pm	3.42
Switzerland	1.3320-1.3600	1.3340-1.3350	0.51-0.46cpm	4.29	1.39-1.34pm	4.02

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.45-34.55.

EURO-CURRENCY INTEREST RATES

Dec. 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec. 10	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Confusion on trade news

IT WAS described as a rather "nasty" day on the futures market in London. Dealers said the US trade figures created confusion on Liffe, with several prices quoted at the same time in the gilt pit.

March long term gilt futures opened weaker at 118-22 and fell to a low of 117-23 on comments by Mr Nigel Lawson, the Chancellor, on Wednesday. Although he was confident about the UK economy, Mr Lawson suggested US interest rates might have to rise.

Initial reaction to the trade figures was positive for gilts, with March delivery touching a peak of 119-10, amid the general confusion. This reflected the strength of the pound against the dollar, and the lack of an immediate reaction from US Treasury bonds to the trade news.

But as confidence in the US bond market cracked, March gilts fell back to close at 118-12, against the previous settlement of 118-29.

Much of the confusion centred on interpretation of the trade figures.

Mr Rupert Thompson, US economist at London merchant bank Morgan Grenfell, was pleased with his forecast of a $16bn October deficit. This was below the published record figure of $17.63bn, but towards the top end of market estimates.

On the other hand like many economists Mr Thompson believes the non-seasonally adjusted figure is misleading. He points out the seasonally adjusted figure for October was $15.2bn, well below the record $17.2bn earlier this year, and expects the non-adjusted deficit to fall to $15bn in November and $12bn in December, largely on seasonal influences.

He described the outlook for the US economy as "not as catastrophic as the headline figure suggests".

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	3.454	.39	1.21	2.35
118	2.34	3.34	2.10	3.30
120	1.43	2.42	3.19	4.38
122	0.63	1.60	4.39	5.56
124	0.38	1.24	6.14	7.20
126	0.23	0.61	7.63	8.57
128	0.13	0.41	9.53	10.37
130	0.07	0.17	13.43	14.14

Estimated volume total, Calls 2035 Puts 1631
Previous day's open int: Calls 24654 Puts 11340

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	3.45	3.60	1.19	2.22
84	2.34	2.58	2.08	3.20
86	1.32	2.05	3.06	4.31
88	0.55	1.29	4.29	5.55
90	0.30	0.63	6.04	7.25
92	0.15	0.41	7.53	9.03
94	0.07	0.26	9.45	10.52
96	0.03	-	11.41	-

Estimated volume total, Calls 100 Puts 258
Previous day's open int: Calls 762 Puts 699

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Jan	Puts-Last Dec	Puts-Last Jan
15000	13.12	17.06	0.22	1.31
15250	10.84	-	0.44	-
15500	8.70	13.14	0.80	2.39
15750	6.77	-	1.37	-
16000	5.08	9.76	2.18	4.01
16250	3.67	-	3.27	-
16500	2.54	6.96	4.64	6.21
16750	1.68	-	6.28	-

Estimated volume total, Calls 0 Puts 30
Previous day's open int: Calls 49 Puts 137

LIFFE £/$ OPTIONS

[illegible]
[illegible]

LONDON SE £/$ OPTIONS

[illegible]
[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]
[illegible]

LIFFE- EURODOLLAR OPTIONS

[illegible]
[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]
[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]
[illegible]

THREE MONTH STERLING

[illegible]
[illegible]

FT-SE 100 INDEX

[illegible]
[illegible]

THREE MONTH EURODOLLAR

[illegible]
[illegible]

U.S. TREASURY BONDS 8%

[illegible]
[illegible]

CURRENCY FUTURES

[illegible]
[illegible]

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.8259	-	-	1.8044
Mar	1.8236	1.8263	1.8225	1.8020
Jun	1.8202	1.8202	1.8202	1.7987

Estimated volume 12 (0)
Previous day's open int. 180 (180)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]
[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]
[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7450	0.7670	0.7330	0.7371
Mar	0.7534	0.7650	0.7399	0.7445
Jun	0.7630	0.7684	0.7510	0.7525
Sep	0.7675	0.7700	0.7675	0.7605
Dec	0.7870	0.7870	0.7870	0.7695

JAPANESE YEN (IMM)

[illegible]
[illegible]

DEUTSCHE MARK (IMM)

[illegible]
[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]
[illegible]

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec	234.80	236.50	234.00	239.65
Mar	234.60	236.00	234.45	240.45
Jun	237.00	237.00	235.00	241.60
Sep	-	-	-	244.50

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, December,9 . The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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ECU=$US1.24482 SDR1=$US1.36546
As of December,9, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	8⅛	8⅛
Sibor:	7⅞	7⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60	Greenland	Danish Kroner	6.3895	Pakistan	Pakistan Rupee	17.4937
Albania	Lek	5.5897	Grenada	E. Caribbean $	2.70	Panama	Balboa	1.00
Algeria	Dinar	4.67	Guadaloupe	Local Franc	5.622	Papua New Guinea	Kina	0.8853
Andorra	French Franc / Spanish Peseta	5.622 / 112.11	Guam	U.S. $	1.00	Paraguay	Guarani	320.00 / 550.00 / 877.50
Angola	Kwanza	29.918	Guatemala	Quetzal	1.00 / 2.60			
Antigua	E. Caribbean $	2.70	Guinea	French Franc (f)	650.00 / 340.00			
Argentina	Austral	3.50						
Aruba	Florin	1.79	Guinea-Bissau	Peso	300.00	Peru	Inti (o,a,4) / Inti (f)	20.00 / 41.89
Australia	Australian $	1.4217	Guyana	Dollar / Dollar (a)	10.00 / 20.00			
Austria	Schilling	11.6675				Philippines	Peso	20.76
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

London rates ease

THERE WAS a slight easing of short term interest rates on the London money market yesterday, following a larger than expected US trade deficit in October.

The trade figures put pressure on the dollar, lifting sterling above the $1.83 level and pushing down London interest rates.

Three-month interbank eased to 8$\frac{9}{16}$-8$\frac{7}{16}$ p.c. from 8⅝-8$\frac{9}{16}$ p.c. Dealers suggested it was too early to talk in terms of lower UK bank base rates, although yesterday's events have probably increased the likelihood.

The Bank of England initially forecast a money market shortage of £500m, but revised this to £400m at noon and to £350m in the afternoon. Total help of £279m was provided.

The authorities did not operate in the market before lunch. In the afternoon the central bank bought £79m bills outright, by way of £40m bank bills in band 1 at 8⅜ p.c. and £39m bank bills in band 2 at 8⅜ p.c. Late assistance of around £200m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £358m, with a rise in the note circulation absorbing £120m and bank balances below target £70m. These outweighed Exchequer transactions adding £65m to liquidity.

In Paris the Bank of France left its money market intervention rate at 7¾ p.c., when it allocated FFr64.3bn at yesterday's securities repurchase tender. Money will be credited to banks today, and virtually equals the FFr64.2bn draining from the market, as two earlier agreements expire.

The tender was held despite a strike of the central bank's employees and an occupation of its headquarters. At the previous tender on December 3 the Bank of France agreed to a pact for an unusually short period of seven days.

Yesterday's allocation will expire on December 28, and it is generally expected the authorities will hold another tender on December 24. A further FFr47.3bn will leave the market on December 21, making it likely the Bank of France will hold another tender on December 18.

In Frankfurt interest rates were steady, with call money at 3.15 p.c., watching reaction around the world to the US trade figures. A weaker dollar was expected to keep the Bundesbank's credit policy fairly relaxed.

This week's securities repurchase agreement tender has seen the central bank virtually replace an expiring pact in full. Buying of dollars against D-Marks by the central bank in recent weeks has also kept the money market liquid.

Commercial banks holdings at the Bundesbank on Tuesday rose to DM62.1bn from DM59.1bn on Monday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.11)	3 months US dollars		6 months US Dollars	
	bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	3.87	Three year	8.25
Broker loan rate	8.25	Two month	5.40	Four year	8.77
Fed.funds	6⅝	Three month	5.96	Five year	8.62
Fed.funds at intervention.	6⅝	Six month	6.79	Seven year	8.98
		One year	7.25	10-year	9.18
		Two year	7.97	30-year	9.35

Dec.11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.10-3.20	3.60-3.75	3.50-3.65	3.50-3.65	3.55-3.75	4.50
Paris	8.1875	8.3125	8.375	8.50	8.75	7.75
Zurich	1.00	4.00	-	3.875	-	-
Amsterdam	4.4375	4.625	-	4.75	-	-
Tokyo	3.90625	4.03125	-	3.90625	-	-
Milan	10.25	11.625	-	11.625	-	-
Brussels	4.50	6.6875	-	6.75	-	-
Dublin	8.25	8.375	8.625	8.75	9.125	-

LONDON MONEY RATES

December 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10.50	8.4375	8.5625	8.625	8.8125	9.0625
Interbank Bid	7.50	8.1875	8.4375	8.50	8.6875	8.4375
Sterling CDs	-	-	8.30-8.25	8.05-8.00	8.05-8.00	8.25-8.20
Local Authority Deps.	8.25	8.375	8.50	8.50	8.75	9.00
Local Authority Bonds	-	-	8.75	8.8125	8.75	8.9375
Discount Mkt Deps.	8.25	8.25	8.375	8.25	8.00	-
Company Deposits	-	-	8.5625	8.625	8.8125	9.0625
Finance House Deposits	-	-	8.4375	8.50	8.5625	8.9375
Treasury Bills (Buy)	-	-	8.3125	8.125	-	-
Bank Bills (Buy)	-	-	8.3125	8.25	-	-
Fine Trade Bills (Buy)	-	-	8.9375	8.875	-	-
Dollar CDs	-	-	8.50	8.4375	8.6875	8.6875
SDR Linked Dep Offer	-	-	6.6875	6.625	6.6875	6.8125
SDR Linked Dep Bid	-	-	6.4375	6.375	6.4375	6.5625
ECU Linked Dep Offer	-	-	7.00	7.125	7.1875	7.25
ECU Linked Dep Bid	-	-	6.875	7.00	7.0625	7.125

Treasury Bills (sell): one-month 8¼ per cent; three months 8⅛ per cent; Bank Bills (sell): one-month 8¼ per cent; three months 8⅛ per cent; Treasury Bills: Average tender rate of discount 8.0072 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1987. Agreed rates for period December 26 to January 25, 1988, Scheme I: 10.51 p.c., Schemes II & III: 10.25 p.c. Reference rate for period October 1 to November 30, 1987, Scheme IV: 9.008 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.5 from December 1, 1987: Bank Deposit Rates for sums at seven days notice 3-3.5 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.5 per cent; one-three months 8.50 per cent; three-six months 8.50 per cent; six-nine months 8.50 per cent; nine-twelve months 8.50 per cent; Under £100,000 7.50 per cent from November 24, Deposits withdrawn for cash 5.00 per cent.

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Dec. 88 Vol	Dec. 88 Last	Stock
GOLD C	$ 520	22	8.10	–	–	–	–	$ 484.70
GOLD C	$ 540	10	5.90	110	12.50	–	–	$ 484.70
GOLD P	$ 400	22	1	–	–	–	–	$ 484.70
GOLD P	$ 460	–	–	115	10.50	4	15	$ 484.70
		Dec. 87		Jan. 88		Feb. 88		
EOE Index C	Fl. 160	19	5	17	11	2	17	Fl. 161.92
EOE Index C	Fl. 165	722	3	31	9	–	–	Fl. 161.92
EOE Index C	Fl. 170	85	1.70	12	6.50	2	12	Fl. 161.92
EOE Index C	Fl. 180	14	0.60	108	4.50	2	9	Fl. 161.92
EOE Index C	Fl. 185	50	0.50	–	–	–	–	Fl. 161.92
EOE Index C	Fl. 195	–	–	17	1.40	–	–	Fl. 161.92
EOE Index C	Fl. 200	–	–	175	1.20	–	–	Fl. 161.92
EOE Index P	Fl. 155	378	2.80	33	7	3	10.90	Fl. 161.92
EOE Index P	Fl. 160	118	4.10	21	9.50	2	13.50	Fl. 161.92
EOE Index P	Fl. 165	28	6.50	3	12	2	15.50	Fl. 161.92
EOE Index P	Fl. 170	23	9.50	1	15	–	–	Fl. 161.92
EOE Index P	Fl. 180	17	18	5	21	2	23.50	Fl. 161.92
EOE Index P	Fl. 190	19	28	2	30	–	–	Fl. 161.92
EOE Index P	Fl. 255	105	93	100	93	–	–	Fl. 161.92
£/Fl C	Fl. 335	191	1.80	–	–	–	–	Fl. 337.35
$/Fl C	Fl. 190	27	0.80	–	–	–	–	Fl. 187
$/Fl C	Fl. 195	215	0.10	–	–	–	–	Fl. 187
$/Fl P	Fl. 185	37	1	50	3 B	1	4.40	Fl. 187
$/Fl P	Fl. 190	14	3.80	204	5.80 A	–	–	Fl. 187
$/Fl P	Fl. 205	32	18.50	–	–	–	–	Fl. 187
$/Fl P	Fl. 210	30	23.50	–	–	–	–	Fl. 187
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl. 50	–	–	11	0.80	350	1	Fl. 37.20
ABN P	Fl. 35	69	0.60	17	2.10	–	–	Fl. 37.20
AEGON C	Fl. 50	–	–	10	6.50	117	7.90	Fl. 53.20
AEGON P	Fl. 55	10	4	20	5.20 A	–	–	Fl. 53.20
AHOLD C	Fl. 60	83	4.70	11	7.50	–	–	Fl. 61.40
AHOLD P	Fl. 60	58	3.80	–	–	–	–	Fl. 61.40
AKZO C	Fl. 180	582	0.10 A	3	0.60	–	–	Fl. 86.80
AKZO P	Fl. 90	76	6.80	–	–	–	–	Fl. 86.80
AMEV P	Fl. 30	–	–	4	1.80	100	2.50	Fl. 34.30
AMRO C	Fl. 65	29	0.50 A	30	1.80	6	3	Fl. 55.90
AMRO P	Fl. 60	71	5	24	6.30	–	–	Fl. 55.90
ELSEVIER C	Fl. 40	27	1.70	8	3	–	–	Fl. 37.60
ELSEVIER P	Fl. 60	101	23.20	–	–	–	–	Fl. 37.60
GIST-BROC. C	Fl. 50	125	0.10	–	–	–	–	Fl. 24
GIST-BROC. P	Fl. 25	3	2.40	22	4	16	4.70	Fl. 24
HEINEKEN C	Fl. 130	52	3	31	8.30	–	–	Fl. 117.90
HOOGOVENS C	Fl. 45	29	0.30	–	–	–	–	Fl. 25.40
HOOGOVENS P	Fl. 25	19	2.20	–	–	–	–	Fl. 25.40
KLM C	Fl. 25	–	–	42	4	–	–	Fl. 25.80
KLM P	Fl. 25	71	1.20	14	2.50	–	–	Fl. 25.80
NEDLLOYD C	Fl. 190	20	0.50	5	1.10	–	–	Fl. 110.50
NEDLLOYD P	Fl. 180	50	71	–	–	–	–	Fl. 110.50
NAT.NED. C	Fl. 55	500	0.40	–	–	–	–	Fl. 44.50
NAT.NED. P	Fl. 45	10	2.20	–	–	16	5	Fl. 44.50
PHILIPS C	Fl. 35	490	0.50	28	1.30	3	2.30	Fl. 28.40
PHILIPS P	Fl. 55	597	27	100	28	3	27.70	Fl. 28.40
ROYAL DUTCH C	Fl. 220	71	1.50	543	4.80 A	–	–	Fl. 194.80
ROYAL DUTCH P	Fl. 200	27	9	133	14	–	–	Fl. 194.80
ROBECO C	Fl. 85	20	1.80	–	–	–	–	Fl. 79.80
ROBECO P	Fl. 85	53	6.50	–	–	–	–	Fl. 79.80
UNILEVER C	Fl. 100	44	5	11	10.50	206	12.50 B	Fl. 99.20
UNILEVER P	Fl. 90	64	2.40	52	6.70 A	32	9	Fl. 99.20

Latest prices were unavailable for this edition.

TOTAL VOLUME IN CONTRACTS : 19,757

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

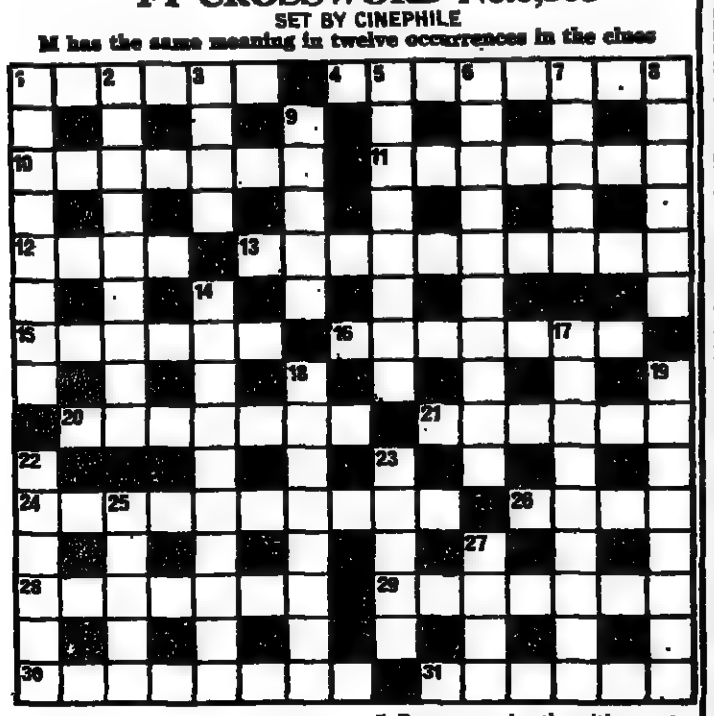
	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
Allied Arab Bk.	9	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	PK Finans. Int(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'antee	10½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l Tst'Cp plc	9	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
Banco de Bilbao	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Bank Hapoalim	8½	First Nat. Fin. Corp.	10	TSB	8½
Bank Leumi (UK)	8½	First Nat. Sec. Ltd.	10	UDT Mortgage Exp	♦10.2
Bank Credit & Comm	8½	● Robert Fleming & Co.	8½	United Bk of Kuwait	8½
Bank of Cyprus	9	Robert Fraser & Ptrs.	9½	United Mizrahi Bank	8½
Bank of Ireland	8½	Girobank	8½	Unity Trust Plc	8½
Bank of India	8½	Grindlays Bank	8½	Western Trust	8½
Bank of Scotland	8½	● Guinness Mahon	8½	Westpac Bank Corp.	8½
Banque Belge Ltd	8½	HFC Trust & Savings	8½	Whiteaway Laidlaw	9
Barclays Bank	8½	● Hambros Bank	8½	Yorkshire Bank	8½
Benchmark Tst Ltd	8½	Heritable & Gen Inv Bk	8½		
Beneficial Trust Ltd	10	● Hill Samuel	§8½		
Berliner Bank AG	8½	C. Hoare & Co.	8½		
Brit Bk of Mid East	8½	Hongkong & Shangh	8½		
● Brown Shipley	8½	Lloyds Bank	8½		
Business Mtge Tst	9	Meghraj Bank Ltd	8½		
CL Bank Nederland	8½	Midland Bank	8½		
Central Capital	8½	● Morgan Grenfell	8½		
Cayzer Ltd	8½	Mount Banking Cpn Ltd	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Sureview 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,505

SET BY CINEPHILE

M has the same meaning in twelve occurrences in the clues



ACROSS

1 General in the Raj of French origin (6)
4 Beast wasn't well, having had an attack (8)
10 Top person lost blood, having been got at (7)
11 M's piece of music at the bottom of the sea (7)
12 Flexitime provides a way out (4)
13 M in Kent's changed game on board (4,6)
15 Given way, severely beaten (6)
16 Hawthorn, M., actor (3,4)
20 Sauce boat on top (7)
21 Great circle surrounds rubbish in cave (6)
24 Ten men wander round door-post, ensuring prolongation of poet's sentence beyond expected term (10)
26 Horse for me? (4)
28 Many storied hotel in Estonia (7)
29 Type of reasoning for M: Hobson's choice of compiler? (1,6)
30 Space in love provided to neuter (8)
31 M takes half kettle for milk pudding (6)

DOWN

1 M's bad eye concerning novel (4,4)
2 M, wrong figure for medicine (9)
3 Bread list (4)
5 Banger or broth with meat (con carne, nearly?) (5,3)
6 Affirm authenticity of painting, about a quarter of an hour initially (2,3,5)
7 Number raised in flower (5)
8 *Stop on other side street* (6)
9 Snake seen in summer? (5)
14 Wayside plant, maybe mace: drop in (3,7)
17 Increased employment woke tax, right? Right, for a change (5,4)
18 Increases the number of male models after M (8)
19 Romancer M is let off (7)
22 M 99 is pussy (5)
23 Furtive informer's change forsaken? (5)
25 M for maxisingle, a drink (5)
27 German lady makes the most *of deceit* (4)

Solution to Puzzle No.6,504

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CARDIGAN ROOTED
H E N D   V O A
INVENTOR SEASON
M E E R A R C S
ERROR NIGHTMARE
D S   E A O   U
 LIMPID RUNWAYS
S O A     E L E
MONGREL PISTOL
A   A I R   N R
RECOMPOSE ANGLE
T O O N P W S I
IMBRUE MANAGING
N R N   R R D N
GRANTS HEADLESS
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	25.9	27.6	+0.4	-
Do. Income	25.8	27.5	+0.5	0.19
Scimitar European Acc	19.0	20.3	---	-
Do. Income	19.0	20.3	---	0.11
Scimitar UK Eq Inc Acc	29.8	31.4	+0.1	-
Do. Income	28.5	30.1	+0.1	5.92
UK Cap Gth Acc	20.0	21.3	-0.2	0.75
Scimitar Fat Exmp Acc	24.1	25.7	+0.2	-
Scimitar Mktpl Exempt	126.7	132.0	+0.9	-

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Instl Income Units	116.4	123.8	-	3.08
Instl Accum Units	178.0	189.4	-	3.08
UK General Acc	33.9	36.3	+0.4	3.11
UK General Inc	32.6	34.9	+0.4	3.11
American	25.0	26.7	+0.5	1.64
European	33.1	35.4xd	-0.5	0.96
Japan	50.6	54.2xd	+1.0	-
Technology	31.5	33.7	+0.5	1.42
Performance Trusts				
Far East Perf Tst	14.4	15.5	+0.2	0.66
High Inc Perf Tst Inc	21.3	22.8xd	+0.2	5.37
High Inc Perf Tst Acc	21.8	23.3xd	+0.2	5.37
Worldwide Tact Perf Tst	24.3	26.0	+0.2	-

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	185.7	198.7	+1.5	3.35
Columbus (America)	112.6	120.5	+2.4	1.35
Marco Polo (Pacific)	184.1	196.9	+3.7	0.44
Da Vinci (European)	199.3	213.2	---	2.45
Drake	46.4	49.7	+0.4	3.32

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	172.2	183.2	-2.4	3.36
UK Smlr. Cos. Equity	176.3	187.6	+1.1	2.01
UK Special Situations	48.5	51.6	-1.0	3.03
Income Plus	47.5	50.6	-0.2	6.97
European	148.3	157.8	+0.8	2.05
Far Eastern	44.3	47.2	+0.5	3.55
Japanese	48.2	51.3	+0.7	0.18
North American	104.0	110.7	+2.2	1.92
International Growth	99.2	105.6	+1.6	2.27

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

TUUT Dec 1 87	175.6	183.1	----	3.71

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	122.4	131.7	+1.8	1.86

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & Gold	59.2	59.5	(z)	6.87
Accum Units	59.2	59.5	(z)	6.87
Income	70.4	74.7	(z)	5.81
Accum Units	70.4	74.7	(z)	5.81
Smaller Co's	74.7	79.2	(z)	1.85
Accum Units	74.7	79.2	(z)	1.85
UK Growth	79.4	84.2	(z)	1.62
Accum Units	79.4	84.2	(z)	1.62

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40095

British Growth Fd	47.1	50.2	+0.3	1.49

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	150.5	160.1	---	-
Friars Hse Inc Fd	136.7	143.9	---	-

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

United Capital	148.0	157.4	+0.9	4.87

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Abingdon Gilt Assets	142.3	151.4	-	2.83
(Accum Units)	145.1	154.4	-	-
Far East & Gen	46.4	49.4	-	0.43
(Accum Units)	46.4	49.4	-	-
Master Portfolio	61.029	62.594	+0.117	3.39
(Accum Units)	62.452	64.052	+0.120	-
American & Gen	50.8	54.0	+0.7	2.14
(Accum Units)	51.5	54.7	+0.8	-
Growth	191.0	203.2	+1.1	2.91
(Accum Units)	286.6	304.9	+1.6	-

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	348.4	366.9	--	-
Eb'r Ph Eq.	304.1	323.2	--	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	147.2	154.9	+1.2	-
International Acc.	114.7	120.7	+1.6	-
Property Acc.	121.2	126.5	--	-
Fixed Interest Acc.	147.4	156.2	-0.2	-
Money Acc.	133.2	140.2	--	-
Bldg. Soc. Link Acc.	131.1	137.9	--	-
Special Mngd. Acc.Q	133.8	140.8	+0.9	-
Phoenix/Framlington				
Intl. Growth Acc.	70.8	74.5	+0.6	-
Amer. & Gen. Acc.	63.8	67.1	+0.5	-
Capital Tst. Acc.	152.9	160.9	+0.1	-
Japan & Gen Acc.	151.2	159.1	--	-
American Turn. Acc.	64.5	67.8	+0.2	-
Recovery Tst. Acc.	138.0	145.2	+1.8	-
Special Mngd Acc.	122.3	128.7	+0.4	-
Phoenix/GT				
International Acc.	107.3	112.9	+1.2	-
US & General Acc.	77.2	81.2	+1.9	-
Amer Spec Sits Acc.	51.8	54.5	+1.0	-
Japan & General Acc.	149.1	156.9	+0.8	-
Far East & Gen. Acc.	123.8	130.3	+1.4	-
UK Capital Acc.	143.5	151.0	+0.8	-
European Acc.	118.0	124.2	+0.2	-
Special Mngd. Acc.	109.3	115.0	+1.0	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	248.6	261.7	--	-
Man Pens Inc & Cap Fds	313.8	330.4	--	-
Money Fund	110.3	116.2	--	-
Pers. Mngd Fd (Init)	73.9	77.8	--	-
Pen. Mngd Fd (Acc)	81.9	86.3	--	-
Pens FT30 Fd (Init)	116.8	123.0	--	-
Pens FT30 Fd (Acc)	129.5	136.4	--	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prudent				
Managed Dec 09	182.6	190.3	+2.1	-

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd	400.6	421.7	+2.1	-
Equity Fd.	799.0	841.1	+2.3	-
Intel. Fd.	278.9	293.6	+4.5	-
Fixed Int. Fd	352.9	371.5	+0.6	-
Prop. Fd.	296.1	311.7	+0.1	-
Cash Fd.	231.7	243.9	--	-
Pacific Basin Fd.	153.5	161.6	+0.2	-
North American Fd.	108.4	114.2	+1.5	-
European Fd.	131.0	137.9	+0.7	-
Holborn Balanced Gwth Fd	-	-	--	-
Holborn Strategic Gwth Fd	-	-	--	-

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	423.7	446.1	--	-
Equity	590.0	621.1	--	-
Global Equity	171.0	180.1	--	-
Fixed Interest	361.5	380.6	--	-
Property	296.9	312.6	--	-
Cash	135.5	142.7	--	-
Index Linked Gilt	161.5	170.1	--	-
Guaranteed	9.25	10.25	--	-
International Money	182.7	192.4	--	-
North American Fd	50.2	52.9	--	-
Japanese Fund	98.19	103.3	--	-
European Fund	68.5	72.2	--	-
Special Situations Fd	79.2	83.4	--	-
Communications Fund	68.4	72.0	--	-
Smaller Cos Fund	81.7	86.0	--	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅝	97⅞	Treas 7¼pc 1985–88‡‡	99⅞	+⅛	7.76	8.50
102⅝	99⅞	Exch 10½pc '88	100½	–⅛	10.41	8.35
101⅞	98⅝	Treas 9¾pc Cv '88	100⅝xd		9.69	8.39
98¼	93⅞	Transport 3pc '78–88	97⅝xd	–⅛	3.07	6.99
101⅝	98¼	Treas. 9½pc '88	100⅝		9.43	8.58
105⅝	101¼	Treas 11½pc 1989	103	–⅛	11.17	8.75
102⅞	97⅞	Treas 9½pc Cnv 1989	101⅛	–⅛	9.41	8.70
96¼	89⅞	Treas 3pc 1989	95½	–⅛	3.14	6.25
104⅝	99⅞	Treas 10½pc 1989	102¼xd	–⅛	10.25	8.73
103¼	98⅞	Exch 10pc 1989	101⅝	–⅛	9.83	8.80
105⅝	100¼	Exch 11pc 1989	103⅛	–⅛	10.63	8.81
96¼	89⅞	Treas 5pc 1986–89	95⅝		5.22	7.48
108⅛	99⅞	Exch 10½pcCv '89	103½	–⅛	9.89	8.13
111⅞	104⅞	Treas 13pc 1990‡‡	107⅞xd	–⅛	12.06	8.85
106½	100⅞	Exch 11pc 1990‡‡	104¼	–⅛	10.58	8.92
110¼	103⅝	Exch. 12½pc 1990	107⅛	–⅛	11.66	8.92
92⅝	84¼	Treas. 3pc 1990	91⅝	–⅛	3.27	6.83
100⅛	93⅞	Treas 8¼pc 1987–90‡‡	99⅛xd		8.31	8.56
105	97½	Treas. 10pcCv 1990	102⅝	–⅛	9.75	8.95
91⅛	81¼	Exch 2½pc 1990	89⅛	+⅛	2.80	6.51
110¼	102⅞	Treas 11¾pc 1991	107¼xd	–⅛	11.95	8.97
95⅛	87¼	Funding 5¾pc '87–91‡‡	93⅝	+⅛	6.13	7.92
90¼	80¼	Treas. 3pc 1991	88⅝	–⅛	3.39	6.80
110⅝	98¼	Treas 10pc Cv '91 ‡‡	104¼xd	–⅛	9.58	8.55
109⅝	101⅛	Exch. 11pc 1991	106½	–⅛	10.33	8.97
99	91⅝	Treas. 8pc 1991	97	–⅛	8.25	8.92
116⅛	107⅛	Treas 12¾pc 1992‡‡	112⅝	–⅛	8.250	8.92
106⅝	97⅞	Treas 10pc 1992	103⅛	–⅛	11.33	9.02
99½	90⅞	Treas. 8pc 1992 ‡‡	96⅛	–⅛	8.28	8.94
108⅝	99⅞	Treas 10½pc Cv 1992‡‡	105⅛	–⅛	9.67	8.99
86⅝	79⅛	Treas. 3pc 1992	84⅛xd	–⅛	3.74	8.03
115⅞	105⅝	Exch. 12¼pc '92	111½	–⅛	10.99	9.17
121⅛	110⅝	Exch 13½pc 1992	116⅝	–⅛	11.62	9.22
		Five to Fifteen Years				
107⅛	97⅛	Treas 10pc 1993‡‡	103⅝	–⅛	9.67	9.15
118⅛	107½	Treas 12½pc 1993‡‡	114⅛xd	–⅛	10.97	9.26
95⅛	82¼	Funding 6pc 1993‡‡	90⅝		6.70	8.30
125⅛	113¼	Treas 13¾pc 1993‡‡	119⅝	–⅛	11.47	9.32
129⅝	117½	Treas 14½pc 1994‡‡	124⅛	–⅛	11.70	9.33
124⅝	112⅝	Exch 13½pc 1994	119⅛	–⅛	11.35	9.45
107⅝	97⅛	Treas. 10pc Ln. 1994‡‡	103⅛	–⅛	9.67	9.29
120⅛	106⅞	Exch. 12½pc 1994	114⅝	–⅛	10.91	9.48
103¼	92⅞	Treas 9pc 1994‡‡	98⅞	–⅛	9.10	9.21
118¼	106⅞	Treas 12pc 1995	112⅛	–⅛	10.68	9.54
84¼	76	Exch 3pc Gas 90–95	80⅝	–⅛	3.71	6.26
109⅝	97¼	Exch. 10¼pc 1995	103½	–⅛	9.87	9.50
123⅝	110⅞	Treas 12¾pc 1995‡‡	117⅛	–⅛	10.87	9.57
130⅝	116¼	Treas. 14pc '96	123⅝	–⅛	11.35	9.74
102⅝	92	Treas 9pc 1992–96‡‡	98⅛	–⅛	9.16	9.31
139⅞	123⅝	Treas 15¼pc 1996‡‡	130⅞	–⅛	11.65	9.76

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45xd		3.50	7.42
52	40	Do. 6pc 28 Stb. Ass.	45		3	6.37
50	45	Do 4pc Mixed Ass.	45		2	4.44
66	58	Hung. '24 Ass	64		2.75	4.15
146¼	122⅞	Hydro Quebec 15pc 2011	134⅝	–⅛	15.00	10.86
136¼	115½	Iceland 14½pc Ln 2016	122	–⅛	14.50	11.78
103⅞	94	Ireland 9¾pc '91–96	98⅛		9.98	10.82

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	23⅝	Abbott Laboratories	25½	+¼	$1.00	–	2.1
40⅝	20⅝	Alcoa $1	25½	–¼	$1.20	–	2.6
187⅛	471p	Allegheny & W $0.01	471p	–13	30c	–	3.5
19⅝	7⅝	Amax $1	10⅝	+⅛	–	–	–
30⅝	13⅝	Amdahl 5c	17	+1¼	20c	–	0.6
35⅝	18⅝	Amer. Cyanamid $5	22⅛	+1½	$1.05	–	2.6
25⅛	11⅝	Amer. Express $0.60	12½xd	+⅛	76c	–	3.3
127⅛	636p	Amer. Medical Int. $1	787p	+15	72c	–	5.6
22½	14¼	American T. & T. $1	15⅞	+⅛	$1.20	–	4.1
65⅛	43⅛	Ameritech $1	47	+⅛	$4.72	–	5.5

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21½	Rep NY Corpn $5	22xd		$1.16	–	2.9
18⅞	8⅝	Rockwell Intl. $1	9¼	+⅛	66c	–	3.9
30⅞	16¼	Sara Lee $1(1/3)	18⅞xd	+⅜	$1.00	–	2.9
11⅞	8⅝	Saul (B. F.) $1	9	+⅛	20c	–	1.2
27⅞	21¼	Southwestern Bell $1	18¾		h$2.32	–	6.8
22¼	994p	Staley Continental	11¼	+⅛	80c	–	3.9
44⅞	23⅛	Sun Co Inc. $1	29	+⅞	$3.00	–	5.7
42¼	22¼	TRW Inc. $0.625	24⅞xd	+⅜	t$1.60	–	3.5
37⅞	21⅛	Tenneco $5	23⅛xd	–⅛	$3.04	–	7.2
220	149½	Do 10pc Ln.Stk. 91-5	155xd		10%	–	14.7
29⅞	15⅞	Texaco $6.25	18⅛xd	–½	$3.00	–	9.1
74⅞	36⅞	Time Inc. $1	40⅞xd	+2	$1.00	–	1.4
20⅞	11	Tracor $0.33(1/3)	17½xd		40c	–	1.3
30⅞	15⅞	Transamerica $1	16⅞xd		$1.84	–	6.0
14⅞	1¼	Transworld Corp $5	692p	+55	20c	–	1.6
27⅞	12¼	TRINOVA Corp.	16½	+¼	56c	–	1.9
24⅞	12⅞	♦USX $1	16½	+½	$1.20	–	3.9
19⅞	9⅞	Union Carbide $1	11⅛xd	+⅞	$1.50	–	7.4
37⅞	16⅜	Utd. Technologies	18⅛xd		$1.40	–	4.2
38⅞	26⅛	US West ‖	27⅞	–⅛	$3.28	–	6.6
30½	17⅛	Waste Management $1	19⅞	+1	–	–	–
31⅞	11⅞	Whirlpool $1.0	12⅛	–⅛	–	–	–
37⅞	16½	♦Woolworth $3½	18¾	+⅛	$1.32	–	3.9

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp ‖	295p		–	–	–
261½p	10p	♦Abbot Energy Corp	17p		–	–	–
18⅛	50bp	♦Amer. Barrick Res.	11¾	+⅛	–	–	–
141p	6p	American Lightwave	6½xp		–	–	–
122p	33p	♦Armeno	39½xp		–	–	–
117p	39½p	Augmitto Explo	47½xp	+2½	–	–	–
19⅞	10⅝	Bk. Montreal ‖	11⅝xd	+⅛	$2.00	–	7.6
10⅞	488p	Bk. Nova Scot. ‖	550p	+5	72c	–	5.7
20⅞	15	BCE ‖	15½	–⅛	$2.40	–	6.8
10⅞	511p	♦Bow Valley ‖	684p	+24	♦40c	–	2.9
20	10⅛	♦Brascan ‖	10½		88c	–	3.7
409p	197p	♦Breakwater Res.	233p	–52	10c	–	1.9

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	325	–16	†10.5	–	4.5	–
*£11⅝	735	Prudential	788	–8	†29.0	–	5.1	–
598	350	Refuge 5p	373		15.75	–	5.8	–
595	345	Royal	364	–9	†¶15.5	–	5.8	–
110	75	Saltire Ins. Inc.	75		–	–	–	–
*345	168	Sedgwick Group 10p	190	+5	12.0	1.7	8.5	8.3
339	138	Stent Burrill 1 10p	140		†9.0	2.0	8.8	7.8
612	303	Sturge Hldgs 20p	318	–7	†6.0	2.5	2.6	20.5
£12⅛	645	Sun Alliance	758	–12	†23.5	–	4.2	–
£13	865	Sun Life 5p	875	–15	†28.5	–	4.5	–
[illegible]	[illegible]	†Taisho M EDR	[illegible]	[illegible]	[illegible]	–	0.9	–
£22⅛	£12⅞	Torchmark $1.00	[illegible]	+¼	Q$1.00	–	4.2	–
410	235	Trade Indemnity	357		†4.3	–	1.6	–
£34	£17⅞	Travelers $1.25	[illegible]	+½	$2.28	–	6.7	–
£30¼	£16	USF & G Corp $2.50	[illegible]		Q$2.40	–	8.2	–
£33⅜	£15⅛	USLIFE Corp. $1.0	[illegible]	+½	Q$1.28	3.2	4.4	7.1
738	555	‡Utd Friendly B 10p	570		21.0	–	5.0	–
464	192	Willis Faber 12½p	202	–8	†20.75	2.4	7.3	7.7
128	41	Windsor Secs. 10p	60		†0.7	1.5	1.6	–

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	‡A & M Group 10p	12	–1	–	–	–	–
242	83	Airlines 10p	83		L45.4	◆	9.5	◆
*549	253	Anglia TV	265	+9	†¶11.25	3.3	5.8	7.4
194	77	‡Aspinall Hldgs. 10p	160		¶6.0	1.2	5.1	21.9
141	62	‡Avesco 1p	78	–2	0.5	6.7	1.0	19.8
72	40	‡BCE Hldgs 5p	48		L¶1.0	◆	2.9	◆
308	132	Barr & W.A.T. 'A'	185	–10	†8.0	1.4	5.9	15.1
58	22	Bond Media	24		–	–	–	–
235	165	Boosey & Hawkes	170		–	–	–	–
83	28	‡Border T.V.	42		1.4	◆	4.7	◆
*439	43½	Brent Walker 10p	255	–4	†¶8.5	2.2	5.4	12.3
124	79	Do 6pc Cv.Cm.Rd.Pf.	[illegible]		6.0	–	9.1	–
*338	110	Campari Int. 20p	174	–2	†3.0	5.1	2.4	8.9

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 23	Dec 3	Dec 4	Dec 14
Dec 7	Dec 17	Dec 18	Jan 4
Dec 21	Jan 7	Jan 8	Jan 18

*New time dealings may take place from 9.00 am two business days earlier.

US trade shock abruptly reverses fresh rise in equities and weakens Gilts

THE ANNOUNCEMENT of a record US trade deficit in October, quickly followed by a collapse in the dollar, threw the London securities markets into disarray for a time yesterday. Equities, abandoning an early advance, plunged by more than 50 points to below the FT-SE 1600 mark before rallying at the end of the session. Government bonds, deciding that a weak dollar was more significant than a strong pound, closed with losses of half a point.

However, the late recovery in share prices, which followed a similar trend on Wall Street, featured convincing support for such international stocks as **ICI** and **Beechams**, both of which closed firmer on the day after recouping early losses. The rally was sparked when two market-making firms began bidding for blue chip stocks.

At the end of the day, the FT-SE 100 Index was a net 19.7 down at 1619.6, having slumped to 1585.3 in the wake of the US trade news. This wipes out much of the recovery chalked up since the beginning of this week, indicating that "this is still a traders market", where lack of institutional interest leaves dealers to conduct opportunist strategies.

The deficit of $17.63bn on US trade was substantially larger than London had bargained for. "The news was bound to be a two-edged sword for the market", said Mr John Shepperd at Warburg Securities, "good for the pound, perhaps, but threatening for US bond markets - and therefore dangerous for our bond sector".

At its morning meeting, Warburg considered the various scenarios which could arise - and came to the conclusion that a worsening in the US deficit "could only be bad news globally, and British Government bonds could not escape unscathed".

Gilts were around ⅜ down as the US trade figures were awaited, and surged ahead briefly when the pound raced above $1.82. But confidence evaporated as the City assessed the wider implications of the tumbling dollar and by the close, the longs had returned to the levels seen ahead of the news from across the Atlantic, showing net falls on the day of nearly half a point.

The swing round from an 18 point gain to a huge fall in the equity market revived many of the worst features of the week following Black Monday. Telephones were not always answered, prices collapsed on no business, and dealers found themselves powerless for a time.

"Actually, it was a bit better this time round because not many people bothered trying to trade", commented a dealer at a US house.

Adding to the gloom was the annual survey of world financial markets by Dr Henry Kaufman, the economic guru at Salomon Bros, the major New York securities house, who warned clients that, "The element of crisis that pervaded world financial markets in October 1987 threatens to reemerge in the coming year".

However, **Smith New Court**, the London trading firm pleased the market with its latest trading figures, and fellow marketmaker **BZW** announced that it is buying control of a Paris stockbroker, ready for next month's Big Bang in the French market.

It was an unfortunate day for the market debut of Eurotunnel's shares. With the stock quickly at a substantial discount to the issue price both in Paris and in London, and the dollar falling, currency arbitrageurs had a frantic session.

Eurotunnel shares plunged from an opening level of 284p, against the offer price of 350p, all the way down to 250p, at which level Salomon Bros, the major US house bought fairly aggressively, probably for a US buyer. The price stabilised to close at 247p, with about 40m shares changing hands out of the 220m share issue.

The early sellers were the French and, more heavily, Japanese institutions, with the UK interest confined to private investors.

There was strong demand, however, for the Eurotunnel warrants, which advanced from the opening price of 10p to close at 13p.

Storm clouds gathered over the planned tender offer for Britoil shares by British Petroleum which, according to one oil industry analyst, implies "a potential rationalisation of the independent oil company sector". **Britoil** shares moved ahead to 286p early on, dipped back to 276p after the US trade figures and then quickly raced up to 297p bid before ending the session up 16 at 293½p with turnover sharply increased at almost 50m, compared with Wednesday's 21m shares.

Rumours that Britoil directors, who held a full board meeting yesterday afternoon, regard the BP approach as very hostile and may seek a "white knight" - either **British Gas** or, an overseas oil group- were said to have triggered the late buying surge in the shares.

Philip Lambert, oil company analysat at securities house Kleinwort Grieveson, said "on its present terms BP is offering a 100p a barrel for Britoil's published reserves which is irrefutably too cheap".

BP, meanwhile, were also well to the fore in terms of market turnover with in excess of 81m "new" shares moving through the SEAQ system. The Kuwaiti Investment Office was again thought to have been buying the stock after making a morning announcement that their stake in BP had been upped by almost 65m shares to 687m or from 10.44 per cent to 11.52 per cent, and the "new" closed ½ off at 72p, after 74p.

BP "old" made early progress to 253p - US houses Drexel Burnham and Salomon Brothers were buyers - but fell away to 243p before closing a net 5 off at 245p.

Minet Holdings, the insurance broking group, transformed an earlier rather uninspiring performance by the insurance broking sector after US insurance group St Paul of Minnesota announced an agreed 470p a share cash bid which values Minet at around £400m.

Minet shares soared from 289p to 470p on the news but later eased to close a net 176 higher at 465p, after dealers and analysts appeared to agree that another US group, Corroon & Black which holds a 29.9 per cent in Minet would accept St Paul's offer. St Paul has a 26 per cent stake in Minet.

Sears shares came under fairly intense selling pressure from the outset and closed a net 12½ off at 137p after a turnover of 18m shares. This followed confirmation that the 8.2 per cent stake in the company had been sold by Robert Holmes a Court's Bell Group to the Al-Fayed family, owners of the House of Fraser group of luxury stores. It was also confirmed that the Al-Fayeds had been building a share stake which amounted to almost 2 per cent, thereby upping their stake to around 10 per cent, or 149,425,000m shares.

The Al-Fayeds purchase, said to be a "long-term investment" was interpreted as bearish by analysts who said the move would remove some of the bid fervour in the stock. **British Airways** were traded actively (some 8.5m shares changed hands) before settling little altered on the day at 137p as the battle for control of British Caledonian hotted up yesterday.

British Airways quickly appeared on the scene with a cash offer worth approximately £200m for BCal. This followed hard on the heels of SAS's offer of £130m for a 23.5 per cent stake which had received a unanimous recommendation from the BCal board.

Burton suffered from a bout of selling pressure prompted by news of the surprise 12 hour sale at its Debenhams stores which raised fears of flagging sales in the run-up to Christmas.

Down to 217½p at one point the share price later picked up to close only a penny off at 223p after brokers reassured clients that the sale was a US-style promotional move instigated by Mr John Horner, the company's new Managing director.

GUS "A" dipped ½ to £10⅝ after revealing interim pre-tax profits of £150.5m matching almost exactly most analysts' forecasts.

Dealers reported a fair amount of activity in the shares where turnover expanded to 548,000 -well above the usual turnover in the stock.

Thorn EMI came out with interim profits of £60.7m against a comparable £41.5m - figures at the top end of analysts forecasts- and also announced a reorganisation of its Inmos division.

The immediate reaction of traders was to mark the shares down on profit-taking; a subsequent sharp fall in the share price was almost entirely owing to the general market slide after the US trade figures and after dipping to 524p the shares steradied to close a net 24 off at 528p.

Smith New Court, the independent securities house, was a major play in the miscellaneous Financial sector, announcing impressive half-year results which should lay to rest recent adverse speculation about the group's well-being since the market crash.

Profits for the six-month period of £10.5m were more than the £10.4m for the whole of the previous year, although provisions of £4.4m have been made for losses incurred in sub-underwriting the BP issue and for clients defaults. The shares responded sharply and touched 218p before closing 10 up on the day at 203p.

Abaco is back on the acquisition trail. Only days after returning from suspension following agreed share exchange and cash terms from major shareholder **British & Commonwealth**, the group is paying £2.25m for Norfolk and Suffolk, an East Anglian-based financial and insurances group. County NatWest Securities reckon the B & C deal with Abaco had to happen and is good for both parties, but neither share benefited to any great extent yesterday.

Insurances were given a a major shot in the arm by the bid for Minet. In the brokers **CE Heath** raced up 22 to 391p, **Sedgwick** added 5 to 194p and **Hogg Robinson** put on 6 to 114p.

But composites were badly affected by the general market slide and could only manage to recoup part of earlier losses. **Commercial Union**, a strong performer recently in the wake of rumours of stake-building by possible "down-under" predators, turned off on profit-taking and closed 10 lower at 315p.

The other newcomer to the market **Paragon Communications**, a public relations consultancy group, achieved a premium on the placing price. Orginal plans to join the Unlisted Securities Market were abandoned because of Black Monday which has forced companies to scale down their new issue expectations. Paragon has since met market requirements for a full listing and in first-time dealings the shares traded at 101p before reacting to close at 91p compared with the placing level of 80p.

The brewing majors were unsettled by a newspaper report that the Monopolies and Mergers Commission would soon produce an interim judgement which may herald a radical shake-up in their tied estates system and price fixing policies. **Grand Metropolitan** were particularly vulnerable and dropped to 376p before steadying to end 11 down on the session at 392p. **Allied-Lyons** followed with a fall of 6 to 323p while **Bass**, rated by Kleinwort Grieveson Securities as a strong "hold" for its defensive qualities, came back 4 to 781p. **Whitbread "A"** lost 6 to 268p but **Guinness** bucked the trend, gaining 3 to 277p.

Blue Circle, down only 4 at 300p, after touching 293p at one stage, typified the roller coaster session in the Building market. **Redland**, boosted over the past few day's by hopes of apossible deal with Equitycorp concerning its Australian subsidiary Monier, ran into profit-taking and closed 17 cheaper at 372p.

ICI encountered a good demand (some 3.1m shares changed hands) and, despite reacting sharply at one stage on currencey fears, settled 7/16 higher on the day at £10¼.

Leading Engineers held up well through the general disarray. Elsewhere, trading statements left **Westland** 5 cheaper at 74p and **Whessoe** 3 lower at 95p. **Birmid Qualcast**, the subject of an unwelcome cash offer of 300p per share from Blue Circle, reacted 8 to 309p.

International stocks got off to a good start, but reacted sharply and were showing quite hefty losses as the dollar came under pressure after the US trade figures. However, most quotations closed well above the day's lowest because operators took the view that the reaction had been overdone. Resisting the trend, **Beecham** met with a good demand and eventually settled 5 to the good on the day at 444p; some 3.8m shares changed hands. **Pilkington's** interim figures were well received, but the share price followed the general trend, falling away to 184p before recovering to close 7 off on balance at 190p. **Glaxo** settled a shade lower at £10¼, while **BOC**, 362p, and **BTR**, 260p, recorded falls of around 10.

Elsewhere, **British Aerospace** failed to show resistance and closed only a few pence above the worst at 305p, down 13. **Reuters**, in contrast, fluctuated sharply before ending 5 up at 422p in the wake of the syndication agreement with the New York Times. The second-half profits recovery enlivened interest in **Sidlaw**, which gained 13 to 100p, while **Havelock Europa**, still reflecting the interim results, put on 5 more to 288p.

US dollar considerations again plagued **Jaguar**, down 9 at 266p, but **Lucas Industries** resisted the tendency and settled 9 higher at 477p. Interim profits from **Dowty** were broadly in line with expectations but the shares dipped initially on the warning that recent "very significant change in currency exchange rates" will have an adverse impact on translated results for the year as a whole. After falling to 134p, Dowty rebounded on talk that analysts had come away from the ensuing meeting with the group feeling confident and the close was 7 up on balance at 150p.

Bunzl slithered to a new low for the year of 139p during the worst of the afternoon price weakness fall but recovered to finish only marginally easier at 154p. In marked contrast, **DRG** spurted 12 to 380p after news that the Kuwait Investment Office has increased its stake to 6.8 per cent. Advertising Agencies went lower with the exception of **VPI** which were supported by the recent profits statement. The price rose to 268p prior to ending a net 15 higher at 263p.

The interest stirred up in the oil sector by the stake-building in BP and the tender offet for Britoil continued to encourage heavy buying elsewhere in the sector.

LASMO were an outstanding performer and surged up 18 to 268p, after 273p on the view that it could by the next to be bid for in oils - RTZ alreadyt have a major holding and will be allowed to be for the company in the new year. **Tricentrol** were another bid favourite and moved up 5 to 99p. Revived worries about the group's US exposure cast a shadow over **Polly Peck**, 10 down at 261p, while **Lonrho** slipped to 217p on press reports that it may buy half of Krupp Handel, the trading arm of West Germany's Fried. Krupp steel and engineering empire.

FINANCIAL TIMES STOCK INDICES

	Dec. 10	Dec. 9	Dec. 8	Dec. 7	Dec. 4	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	88.94	89.17	89.08	89.04	89.58	81.60	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.52	96.49	96.59	96.75	96.60	88.61	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1285.0	1297.6	1294.9	1279.3	1262.7	1284.7	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	324.3	324.8	317.3	313.2	329.4	316.9	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.83	4.78	4.81	4.87	4.93	4.46				
Earnings Yld. %(full)	11.95	11.85	11.89	12.05	12.21	10.56				
P/E Ratio (net)(*)	10.24	10.33	10.28	10.14	10.01	11.62				
SEAQ Bargains (5pm)	25,469	21,136	23,382	20,542	26,389	31,290				
Equity Turnover (£m)	-	1042.39	1239.91	646.07	1036.58	1111.10				
Equity Bargains	-	23,463	25,024	21,438	28,957	51,868				
Shares Traded (ml)	-	523.7	644.5	335.7	568.1	550.9				

S.E ACTIVITY

Indices	Dec.9	Dec.8
Gilt Edged Bargains	98.9	127.1
Equity Bargains	152.0	162.1
Equity Value	2106.9	2506.2
5-Day average		
Gilt Edged Bargains	132.3	136.4
Equity Bargains	157.7	158.4
Equity Value	1956.9	2943.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1302.0	1299.3	1299.9	1304.1	1313.5	1290.7	1263.3	1262.6

Day's High 1314.1 Day's low 1254.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.10.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1).
INDUSTRIALS (1) Mallorp Corp.

NEW LOWS (94).
AMERICANS (6) BANKS (1) BREWERS (1) BUILDINGS (1) STORES (5) ELECTRICALS (13) ENGINEERING (1) FOODS (4) INDUSTRIALS (9) INSURANCE (1) LEISURE (4) NEWSPAPERS (2) PAPERS (5) PROPERTY (2) TRUSTS (32) OVERSEAS TRADERS (1) MINES (4) THIRD MARKET (2).

Traditional Options

- First dealings Nov 30
- Last dealings Dec 11
- Last declarations Mar 3
- For Settlement Mar 14

For rate indications see end of London Share Service

Stocks to attract money for the call included **Widney, Wilshaw, Equity and General, Cowan de Groot, Beecham, Boots, NatWest, Rock, TR Energy, British and Commonwealth, Campari, Bryant Holdings and Eagle Trust.** A put option was arranged in **Trusthouse Forte**, but no double options were reported.

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Dec 10 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Dec 9 Index No.	Tue Dec 8 Index No.	Mon Dec 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	647.32	-1.0	11.00	4.45	11.41	20.46	654.08	651.61	640.81	681.08
2	Building Materials (30)	819.76	-1.9	12.02	4.57	10.34	26.06	835.72	825.98	811.26	851.48
3	Contracting, Construction (33)	1208.42	-1.2	10.31	4.14	12.96	34.66	1223.27	1213.63	1199.65	1159.93
4	Electricals (14)	1863.65	+0.3	9.82	4.99	13.25	64.72	1857.68	1889.02	1861.97	1742.43
5	Electronics (33)	1380.91	-1.3	11.53	3.76	11.32	38.48	1399.67	1409.74	1393.41	1464.97
6	Mechanical Engineering (60)	326.97	+0.2	11.37	5.03	11.07	12.17	326.26	324.13	320.21	384.28
8	Metals and Metal Forming (7)	402.74	+0.1	10.49	4.16	11.50	12.48	402.29	398.83	389.60	350.35
9	Motors (14)	227.71	-0.6	13.21	5.11	8.81	7.36	229.16	227.01	224.41	268.08
10	Other Industrial Materials (23)	1152.93	-1.5	8.96	4.46	13.25	37.65	1170.18	1162.47	1127.98	1188.38
21	CONSUMER GROUP (182)	955.93	-1.2	9.08	3.78	14.03	24.88	967.14	961.56	945.83	932.94
22	Brewers and Distillers (21)	916.60	-1.1	11.29	4.18	11.15	24.09	926.51	921.05	912.70	948.83
25	Food Manufacturing (23)	775.44	-0.6	9.86	4.16	13.04	22.50	780.47	768.56	758.34	738.02
26	Food Retailing (17)	1918.98	-0.5	8.32	3.17	16.03	47.36	1928.28	1947.53	1909.40	1832.41
27	Health and Household Products (10)	1706.21	-1.1	6.88	2.63	17.34	33.67	1726.90	1737.58	1706.12	1536.94
29	Leisure (29)	1021.64	-1.5	8.55	4.50	14.62	29.83	1036.74	1026.79	1006.76	968.19
31	Packaging & Paper (16)	453.57	-0.6	9.29	3.99	14.16	12.53	456.41	456.05	446.31	489.13
32	Publishing & Printing (15)	2957.89	-0.9	7.41	4.94	17.06	98.06	2984.32	2972.27	2940.15	2725.73
34	Stores (35)	788.87	-1.7	9.46	3.82	14.18	20.18	802.44	785.97	770.92	822.77
35	Textiles (16)	534.82	-3.1	12.30	4.40	9.37	17.60	552.07	553.26	542.13	544.28
40	OTHER GROUPS (87)	774.99	-0.5	11.88	4.77	10.45	22.64	779.08	775.84	766.80	801.54
41	Agencies (17)	924.22	-1.1	7.57	2.59	16.87	17.18	934.55	899.11	884.54	0.0
42	Chemicals (21)	977.65	+0.4	10.17	4.79	12.01	33.55	974.19	968.66	956.07	1021.99
43	Conglomerates (13)	1017.95	-1.7	11.85	5.12	9.69	28.57	1035.13	1037.81	1031.26	0.0
45	Shipping and Transport (11)	1607.01	-0.5	10.60	5.13	12.37	57.73	1614.66	1608.73	1592.84	1549.90
47	Telephone Networks (2)	816.48	+0.2	13.19	5.18	10.10	20.21	815.00	816.06	813.40	793.59
48	Miscellaneous (23)	1064.87	-1.2	14.44	4.48	8.24	34.90	1077.70	1074.44	1043.82	1110.96
49	INDUSTRIAL GROUP (483)	833.59	-1.0	10.31	4.21	12.21	23.54	841.63	837.58	824.89	842.45
51	Oil & Gas (17)	1584.76	-1.4	10.48	6.21	11.76	65.84	1607.56	1587.35	1553.14	1432.73
59	500 SHARE INDEX (500)	897.28	-1.0	10.34	4.51	12.14	27.18	906.57	901.15	886.63	892.28
61	FINANCIAL GROUP (121)	586.68	-0.4	-	5.33	-	22.25	589.23	581.58	573.37	609.63
62	Banks (8)	603.63	-0.3	22.10	6.48	5.98	26.94	605.57	601.08	591.16	667.07
65	Insurance (Life) (8)	862.30	-1.3	-	5.34	-	32.56	873.48	855.34	843.77	864.67
66	Insurance (Composite) (7)	463.29	-1.4	-	5.94	-	20.16	469.69	462.64	457.43	460.77
67	Insurance (Brokers) (8)	822.03	+8.7	13.50	6.97	9.48	40.26	756.51	766.99	759.54	1165.10
68	Merchant Banks (11)	306.65	-0.9	-	4.64	-	10.09	309.59	310.08	310.41	336.97
69	Property (49)	887.78	-0.9	5.82	3.44	21.96	22.00	895.44	868.92	851.95	889.82
70	Other Financial (30)	348.97	-0.2	10.39	4.54	12.17	11.96	349.67	351.04	347.49	365.69
71	Investment Trusts (87)	752.99	+0.1	-	3.36	-	17.82	752.41	748.29	742.07	862.16
81	Mining Finance (2)	410.77	-1.2	11.87	4.15	10.18	12.77	415.66	399.58	401.59	328.84
91	Overseas Traders (10)	873.75	-1.5	10.34	5.72	11.35	37.80	887.14	887.93	873.71	740.58
99	ALL-SHARE INDEX (720)	814.17	-0.9	-	4.60	-	25.52	821.60	815.50	803.05	816.56

	Index No.	Day's Change	Day's High	Day's Low	Dec 9	Dec 8	Dec 7	Dec 4	Dec 3	Year ago
FT-SE 100 SHARE INDEX ♦	1619.6	-19.7	1657.6	1585.3	1639.3	1624.4	1598.4	1582.8	1588.4	1634.8

FIXED INTEREST

PRICE INDICES	Thu Dec 10	Day's change %	Wed Dec 9	xd adj. today	xd adj. 1987 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Thu Dec 10	Wed Dec 9	Year ago (approx.)
[illegible]			

♦Opening index 1644.0; 10 am 1639.7; 11 am 1641.0; Noon 1646.6; 1 pm 1656.3; 2 pm 1602.0; 3 pm 1591.3; 3.30 pm 1600.4; 4 pm 1612.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]							

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
[illegible]			

LONDON RECENT ISSUES

EQUITIES

[illegible]									

FIXED INTEREST STOCKS

[illegible]						

RIGHTS OFFERS

[illegible]						

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued)

BELGIUM/LUXEMBOURG | DENMARK | FINLAND | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | GERMANY | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO

Closing prices December 10

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices December 10

[illegible]

Total Sales 7,226,755 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 51

Stock	Sales (Hnds)	High	Low	Last	Chng
RgcyCr	4 2025	1 13-32	1 11-32	1 11-32	− 1
RgcyEl .20	25 474	3¾	3½	3¾	+3-16
Reginas	13 65	12⅜	11¾	12¼	
RegIBc .08e	7 48	12⅞	12⅞	12⅞	− ⅜
Repign	311	5¾	5½	5¾	+ ⅛
RepAm .24	9 2557	13	12¼	12⅜	− ⅝
ReutrH .98e	3932	47	44	46¼	+ ¾
Rexon	6 465	5	4¾	5	+ ⅛
ReyRy .76	7 1025	14¼	d13½	13¾	
RhonPl	9	26⅛	26½	26½	
Riblim	919	4	3⅝	3⅞	
RchsnH.05e	146	13¾	13¼	13¾	
SoftwA	11	88	9	d 8¾	8¾ − ½
SftwPb	10 51	6⅞	6¾	6¾	− ⅛
SonocPs .52	14 734	21⅝	19¾	21	+ 1¼
Sonora	505	6¾	6⅝	6⅝	+ ¼
SCarNt .56	8 105	18⅞	18⅞	18⅞	− ¼
Sounet	66 459	11⅝	11¼	11¼	
SohldSv	1889	13⅞	13¼	13⅞	+ ⅛
Soutrst .80	7 89	18⅝	18⅝	18⅝	
Sovran 1.44	10 622	28⅞	28¼	28⅝	+ ¼
Spartco	25	6½	6¼	6¼	− ¼
Standys .92	10 95	22	20	20	−2
StdMic	1055	6¼	5⅞	6	− ⅛
UnPintr .60	32 73	19¼	18¾	19¼	+ ½
UnSpIC	16 6	20½	19¾	20¼	− ¼
UACm .04	163 162	19½	19	19½	+ ¼
UBCol .54	23 298	14¼	13¾	14⅛	− ⅛
UnCosF .56	6 242	16	d15⅛	15¾	− ⅛
UHlCr	365	3¼	3	3	− ¼
UtdSvrs .72	3 535	11½	d10⅛	10¾	− ¾
USBcp .80	7 740	19⅝	d18⅞	19	− ⅝
US HltC .16	116 x2440	4¾	4½	4⅝	− ⅛
USTrst 1	10 185	32	31½	31¾	− ¼
UStatn .25	15 351	14½	13⅝	14½	+ ½
XOMA	447	10¼	9¾	9¾	− ¾
Xicor	107 580	7½	7	7½	+ ⅛
Xidex	1126	6¼	5⅞	6¼	+ ⅛
Xylogic	8 54	9¼	8½	8½	− ¾
Xyvsn	20 1233	7¾	6	7¾	+ 1½
YlowFs .52	16 631	25⅛	24¼	24⅞	+ ¼
ZionUt 1.44	125	23¾	23	23½	+ ½
Zondvn	347	9½	9⅛	9¼	− ¼
Zycad	494	3¼	3	3¼	+ ⅛

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Britoil	294	+	16½
Dowty	150	+	7
Heath (C.E.)	391	+	22
Hogg Robinson & GM	114	+	6
LASMO	268	+	18
Miner	465	+	178
Sidlaw	100	+	13
Smith New Court	209	+	10
VPI	363	+	15

FALLS

Exch. 12% 2013-17	£134⅜	−	½
BOC	363	−	16
Cable & Wireless	306	−	9
Commercial Union	315	−	10
Courtaulds	318	−	12
Grand Met.	394	−	9
Jaguar	286	−	9
Kleinwort Benson	283	−	17
Polly Peck	261	−	10
Redland	372	−	17
Sears	136	−	12½
THORN-EMI	528	−	24

TOKYO - Most Active Stocks
Thursday December 10 1987

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	54.23m	360	+3
Nisshin Steel	20.30m	632	+17
Nippon Steel	20.19m	425	+6
Kobe Steel	15.05m	281	+5
Yodogawa Steel	14.86m	1,220	+190
Daicel Chemicals	14.48m	775	+47
Tokyo Rope	14.02m	868	+19
Yasuda Fire	10.89m	1,040	+58
Toray	10.35m	790	+25
Nippon Yakin	8.37m	735	+35

Indices

NEW YORK DOW JONES

	Dec. 9	Dec. 8	Dec. 7	Dec. 4	1987 High	1987 Low	Since compilation High	Since compilation Low
♦Industrials	1902.52	1868.37	1812.17	1766.74	2722.42 (25/8)	1738.42 (19/10)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	86.41	86.63	86.74	86.85	95.51 (9/2)	81.26 (19/10)	−	−
Transport	707.43	699.86	681.14	661.00	1101.16 (14/8)	661.00 (4/12)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	177.81	177.34	175.73	173.13	227.83 (22/1)	160.98 (19/10)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 1924.90 (1870.69) Low 1846.65 (1794.60)

STANDARD AND POOR'S	Dec. 9	Dec. 8	Dec. 7	Dec. 4	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite ‡	238.89	234.91	228.76	223.92	336.77 (25/8)	223.92 (4/12)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	275.16	269.87	261.95	255.43	393.17 (25/8)	255.43 (4/12)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.04	20.75	20.39	20.46	32.43 (25/8)	20.39 (7/12)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	133.56	131.42	128.23	125.91	187.99 (25/8)	125.91 (4/12)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	241.20	236.57	233.03	231.98	365.01 (13/8)	231.90 (4/12)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	301.96	297.96	294.77	292.92	455.28 (26/8)	291.90 (28/10)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec. 4	Nov. 27	Nov. 20	year ago (approx.)
Dow Industrial Div. Yield	3.88	3.99	3.58	3.58
	Dec. 2	Nov. 25	Nov. 18	year ago (approx.)
S & P Industrial div. yield	3.36	3.69	3.14	2.96
S & P P/E ratio	14.73	13.34	15.52	17.73

TRADING ACTIVITY † Volume

$Millions	Dec. 9	Dec. 8	Dec. 7
New York	232,713	228,060	147,545
Amex	12,421	13,330	11,950
OTC	82,528	137,734	118,329

NEW YORK	Dec. 9	Dec. 8	Dec. 7
Issues Traded	1,996	1,978	1,992
Rises	1,118	1,142	902
Falls	498	465	703
Unchanged	380	371	387
New Highs	2	1	2
New Lows	74	131	200

CANADA

TORONTO	Dec. 9	Dec. 8	Dec. 7	Dec. 4	1987 High	1987 Low
Metals & Minerals	2489.9	2464.8	2371.7	2279.2	3507.5 (5/10)	1988.2 (2/1)
Composite	3063.7	3050.6	2982.5	2909.2	4112.9 (13/8)	2843.9 (10/11)
MONTREAL Portfolio	1551.50	1542.72	1495.84	1443.81	2224.77 (16/7)	1435.94 (26/10)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Detroit Edison	7,595,800	14⅛	—
General Electric	2,692,200	43⅞	+ 1⅝
People's Energy	2,669,200	15⅜	− ⅛
IBM	2,024,400	113⅞	+ 2⅞
Citicorp	1,927,000	17⅞	+ ¼
AT&T	1,830,800	28⅜	+ ⅝
Exxon	1,811,200	39½	− ⅝
American Express	1,722,500	22⅝	+ ⅜
Schlumberger	1,541,700	29¾	+ ⅛
Hewlett-Packard	1,477,000	52⅞	+ 1⅝

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

	Dec. 10	Dec. 9	Dec. 8	Dec. 7	1987 High	1987 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1296.6	1237.9	1219.4	1232.5	2305.9 (21/9)	1151.0 (11/11)
All Mining (1/1/80)	726.1	722.8	695.7	711.3	1462.4 (14/10)	586.9 (11/11)
AUSTRIA						
Credit Aktien (30/12/84)	178.50	176.70	(c)	177.44	232.19 (22/9)	172.01 (11/11)
BELGIUM						
Brussels SE (1/1/84)	3649.4	3592.5	3558.8	3551.1	5412.2 (13/8)	3551.1 (7/12)
DENMARK						
Copenhagen SE (3/1/83)	(u)	185.02	182.54	181.37	219.76 (27/8)	179.60 (20/11)
FINLAND						
Unitas General (1975)	566.8	569.7	571.7	571.2	679.1 (15/10)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	277.4	274.1	275.7	271.8	460.4 (26/3)	271.8 (7/12)
Ind. Tendance (31/12/86)	69.6	70.2	70.8	70.0	117.2 (26/3)	69.6 (10/12)
GERMANY						
FAZ Aktien (31/12/58)	429.43	425.81	422.92	420.08	676.84 (6/1)	400.13 (10/11)
Commerzbank (1/12/53)	1317.1	1311.0	1296.9	1292.5	2061.1 (17/8)	1220.9 (10/11)
HONG KONG						
Hang Seng Bank (31/7/64)	2027.67	1984.98	1886.12	1894.94	3949.73 (1/10)	1894.94 (7/12)
ITALY						
Banca Com. Ital. (1972)	502.97	503.32	(c)	504.56	767.34 (30/4)	476.27 (10/11)
JAPAN **						
Nikkei (16/5/49)	23280.24	22885.70	22948.34	22586.52	26646.43 (14/10)	18544.09 (13/1)
Tokyo SE New (4/1/68)	1879.21	1856.40	1857.54	1833.13	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP-CBS General (1970)	207.6	202.6	199.0	199.0	394.1 (14/8)	192.2 (10/11)
ANP-CBS Industrial (1970)	157.8	155.6	153.3	153.6	280.8 (11/8)	147.5 (10/11)
NORWAY						
Oslo SE (4/1/83)	323.93	323.20	317.97	318.89	592.04 (21/9)	307.48 (10/11)
SINGAPORE						
Straits Times Ind. (30/12/66)	746.0	728.3	704.4	700.4	1505.4 (26/8)	700.4 (7/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1755.0	1715.0	1678.0	2499.0 (3/8)	1448.0 (5/11)
JSE Industrial (28/9/78)	(u)	1447.0	1448.0	9455.0	2266.0 (16/10)	1402.0 (23/11)
SPAIN						
Madrid SE (30/12/85)	210.79	205.52	(c)	201.96	325.44 (6/10)	201.08 (4/12)
SWEDEN						
Jacobson & P. (31/12/56)	2175.16	2152.80	2166.08	2141.81	3550.40 (9/10)	2068.60 (10/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	470.6	463.4	462.5	458.2	728.7 (5/10)	450.9 (10/11)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	393.5	391.0	383.6	495.9 (27/8)	361.3 (2/1)

** Saturday December 5: Japan Nikkei 22673.41, TSE 1837.51

Base values of all indices are 100 except Brussels SE — 1,000 JSE Gold — 255.7 JSE Industrials 264.3 and Australia, All Ordinary and Metals — 500; (c) Closed.(u) Unavailable.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 5/8	14	AAR s	.36	2.4	14	130	15 1/8	14 5/8	14 7/8	−3/8
32 1/2	19	AFG s	.16	.7	8	350	23 1/2	22 3/4	23 1/2	
27	19 1/2	AGS s			12	350	13 5/8	12 5/8	13 5/8	
9 5/8	3 1/4	AIM Intl			33	707	4 3/4	4 5/8	4 5/8	
65 1/2	25 3/4	AMR			9	5830	30 1/8	29	29 1/2	−7/8
27 1/2	24 7/8	ANR pf 2.67		11.		2	25 1/8	25 1/8	25 1/8	
12 1/4	5 3/4	ARX s			7	62	7	6 3/4	7	
73 1/2	35 1/8	ASA	2a	3.8		1090	52 7/8	50	52 3/8	+2 5/8
22 1/2	9 1/2	AVX			16	182	12 3/8	11 7/8	12 1/4	−1/4
67	40	AbtLab	1	2.2	17	6169	46	44 1/2	45 1/4	−3/4
28	15 1/2	Accubs g				120	18 1/2	18 1/4	18 3/8	−1/8
16 1/4	8 1/2	AcmeC .40		4.0	14	863	10 5/8	10	10	−5/8
10 1/2	6 1/8	AcmeE .32b		4.6	24	71	7 1/8	7	7	−1/8
20	14 1/8	AdaEx 3.34e		22.		142	15 1/2	15	15 1/4	
19 1/2	6 1/8	AdmMl s .24		2.9	6	131	8 3/8	8	8 1/4	−3/8
35	16 5/8	AdvSys			12	424	26 1/2	26	26 1/4	−1/4
24 7/8	7 1/2	AMD				8071	9 7/8	8 3/4	9 1/4	+1/8
56 3/4	25 1/4	AMD pf 3		9.7		650	31 1/2	30 3/4	31	−1
11 7/8	4 3/8	Adobe				208	5 1/2	5 1/4	5 1/2	
20 1/2	15 1/2	Adob pf 1.84		11.		25	17	16 3/4	17	+1/4
21 7/8	17	Adob pf 2.40		12.		15	19 3/4	19 1/2	19 1/2	−1/2
15	6 7/8	Advest .12a		1.6	6	108	7 3/4	7 5/8	7 5/8	+1/8
68 1/4	43 1/8	AetnLf 2.76		6.3	6	2592	44 7/8	44 1/8	44 1/8	−5/8
99	88 3/4	AetL pfC5.77e		6.2		140	92 3/4	92 3/4	92 3/4	−1/2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 51

NYSE COMPOSITE CLOSING PRICES

Continued from Page 50

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17	6	Schwb n				470	[illegible]	6	[illegible]	
20¼	8⅛	SciAtl	.12	1.2	9	580	10¼	9⅞	10	−⅛
87	55	ScottP	1.36	2.1	11	385	65¾	64½	65	−⅝
15⅞	10	Scottys	.52	4.1	17	40	12¾	12½	12⅝	−¼
13	5¼	ScdNA n				470	6⅝	6⅛	6⅛	−⅝
30½	12	SeaCnt	.10e	.6	8	308	16⅜	15	15⅝	
14¼	9	SeaCt pf1.46		13.		8	11⅝	11½	11⅝	
17½	15⅛	SeaC pfB2.10		14.		12	15½	15¼	15½	+⅛
17½	12¾	SeaC pfC2.10		13.		30	16	15⅝	16	+⅛
52⅞	40	Seagrm	1.10	2.1	10	1604	54½	52⅛	52⅛	−1⅜
24⅛	12⅛	Seagul			20	54	16½	16	16½	−¼
27⅞	11¾	UDC	2.20	16.	5	116	14	13⅛	13⅝	−½
113	102	UDC pf				2	101	d101	101	−1
32	21¾	UGI	2.04	8.8	10	86	23⅝	23¼	23¼	−⅜
13¾	4½	UNCInc	.01e	.2	8	81	6⅛	6	6	−⅛
31⅞	15⅝	UNUM	.30e	1.9		976	17	16⅜	16⅛	−⅝
48¾	26¼	USFG	2.48	8.4	6	1737	29⅞	29¼	29½	−⅝
62	43½	USFG pf4.10		9.1		597	45¼	44⅝	45	
55⅞	28½	USG	1.12	3.6	7	6289	32¼	27	31	+2⅞
28½	16¼	USLICO	.88	5.1	7	75	17½	17¼	17¼	−⅜
32⅞	13¼	USPCI s			35	653	25	24¾	24¾	−⅛
58¼	52½	Xerox pf5.45		10.		19	52⅞	52⅝	52⅝	−¼
31½	19⅛	XTRA	.64	3.3	13	172	20½	19⅝	19½	−1
28¼	19½	XTRA pf1.94		9.4		1	20⅝	20⅝	20⅝	+½
33⅞	15⅛	Yorkin			9	144	22½	22	22⅝	−⅛
7¼	2⅜	Zapata				422	2⅞	2⅝	2⅝	−⅛
37	13½	Zayre	.40	2.8	5	3580	14⅝	14	14⅛	−½
15⅛	9¼	Zemex	.40	4.3	8	2	9⅜	9⅜	9⅜	−¼
33⅝	10	ZenithE				2085	14¼	13⅝	13⅞	−¼
13½	2⅜	ZenLab				972	3	2⅝	2⅞	−⅛
28½	13½	ZenNtl	.80	5.3	7	82	15¼	15	15	−¼
20⅝	11⅝	Zero	.36	2.7	13	185	13¼	12½	13¼	+⅝
30¾	15	Zurnin s	.68	4.1	11	367	17½	16⅝	16⅝	−⅝
10⅝	7⅝	Zweig	.92a	11.		496	8½	8⅜	8½	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 49

FINANCIAL TIMES Friday December 11 1987

Resilient Dow recovers from trade data blow

Wall Street

THE RESILIENCE of stock prices in the face of yesterday's news of a record US merchandise trade deficit in October provided the first real evidence of the consolidation achieved by the market since October's collapse, *writes Janet Bush in New York.*

The Dow Jones Industrial Average plunged by more than 50 points immediately after release of the trade figures, which showed a deficit of $17.63bn compared with September's *$14.08bn shortfall.*

By 2pm, the Dow Jones had recouped the earlier fall and stood 0.99 points higher at 1,903.52.

Equity traders hailed this recovery as a triumphant sign that Wall Street has now regained its confidence. The sharp fall at the opening was plainly *regarded* as a good buying opportunity, although volume was not particularly high. By midsession, just over 100m shares *had changed hands.*

No such sense of optimism was evident in the foreign exchange and bond markets. *US Treasury* bonds took some time to react to the trade figures but, once they did, bond prices fell quite sharply. By mid-session, the Treasury's 8.875 per cent 30-year issue had shed more than 1½ points to yield 9.36 per cent, its highest yield since October 21 when the long bond closed at 9.43 per cent. The Fed Funds rate stood at a high of 6$^{13}/_{16}$ per cent at midsession, compared with yesterday's average of 6.69 per cent.

The fear in the bond market must now be that the dollar will *continue to fall. The Administration* has appeared to be following a policy of benign neglect towards the currency, partly as a bargaining counter to force US trading partners to stimulate their economies. Yesterday's *trade figures* can only make it less likely the US will move to support the dollar as a sop to international cooperation.

However, concern about the inflationary implications of an even weaker dollar should mean the US Federal Reserve must, if anything, edge policy tighter rather than looser.

Some equity traders seemed unperturbed by *yesterday's trade* figures. Mr Larry Wachtel of Prudential Bache commented: "We have done our work on the downside in this market. If the Dow is going to react to every piece of bad news which comes out, we would be down to zero pretty quickly."

Export-oriented companies, who would stand to gain even more of a competitive advantage from a further fall in the dollar, showed some strength yesterday. *Dow Chemical gained $1 to $82¼* by midsession, Caterpillar put on $¼ to $59¾ and Merck was up $½ at $161¾.

However, General Electric shed $¼ to $43⅝ and Eastman Kodak was off $¼ at $47⅝.

Hamilton Oil jumped $4¼ to $21 after the company said it had approved an agreement with BHP, a subsidiary of Broken Hill Proprietary Co, allowing BHP to increase it stake above the 50.5 per cent limit agreed last month.

The oil sector was relatively weak, partly depressed by uncertainty about whether the Organisation of Petroleum Exporting Countries can reach a new pricing and production agreement. Reports from the meeting in Vienna suggest that *only Iran* is holding out for a price increase from the $18 a barrel current benchmark and that the other 12 Opec *nations* may exclude Iran and sign a consensus agreement.

At mid-session, Exxon had *fallen $⅜ to $38⅞,* Atlantic Richfield slipped $⅛ to $68⅞ and Amoco edged $¼ lower to $65¾.

Among blue chips, which have figured heavily in the market's recovery this week, IBM fell $1¼ to $112¾ by midsession and *Proctor and Gamble was down* $½ at $84⅞.

Canada

AFTER EASING immediately *in the wake of the US trade* results, Toronto stocks shadowed Wall Street's rally to make broad gains.

Minings headed the active list as bullion prices leapt. Inco added C$⅜ to C$25 and ALcan *C$½ to C$34, while Falconbridge* notched a C$¼ rise to C$21⅞. In golds, Placer Dome rose C$¾ to C$21⅛.

International Corona eased C$2½ to C$53 after falls on Wednesday following Lac Minerals' *application* to the *Supreme* Court for permission to appeal a lower court ruling giving the group Hemlo gold mine.

Banks were mixed, with Canadian Imperial steady at C$20.

Gloom the sole trend for Milan's brokers

"THE *MARKET* is just waiting for the future to evolve," remarked Milan broker Mr Urbano Aletti, reflecting the uncertainty and worried sense of resignation permeating Milanese financial circles, *writes David Lane in Milan.*

October's crash served only to exacerbate the uncertainty which dominated the Milan stock market for much of the year. Nobody believes this sentiment will pass quickly.

Disoriented operators are having difficulty in understanding what is happening at the moment and are generally at a loss to make forecasts. "One week things are better but then hopes are dashed in the next," said Mr Aletti.

The see-sawing index underscores the difficulty of identifying any real trend in the equity market. The first seven days of November trading saw a fall, with the MIB index dropping from 743 to 661. Although there was a recovery to 739 during the next 13 days, the index then *started slipping again on* 30 November and yesterday closed unchanged on the prevous session at 698.

Analysts point with concern to the thin turnover, down to about a fifth of levels at the height of the boom in spring *last* year. Selling swelled volumes during the two weeks after 19 October causing average daily turnovers of about 54m shares. Since the end of October the volume has averaged 33m shares.

Equities have not suffered alone. Italy's mutual funds have inevitably been affected, as bleak figures for November confirm. Last month the funds achieved an unsought record, with net redemptions reaching an all-time high of L2,022bn ($165m).

New subscriptions during *November were* L689bn, less than a third of the monthly average during the first half of the year. At L2,711bn, gross redemptions in November were nearly three times the average between January and June.

The mutual funds' weight is a matter of considerable concern. They are a large force in a small and fragile equities market and their lack of liquidity represents a serious danger. "Until now the funds have held up well. However, a further *big flow* of redemptions is a big threat to equities.

The funds are a weight overhanging the market," said an analyst. "Will savers stick with mutual funds if equities fall *further?" he asked rhetorically.*

Furthermore, an already bleak situation is darkened by the problem of Italy's public sector deficit. "Real interest rates are extremely high and the treasury is unable to reduce them. Who *will buy equities* when they can obtain high real returns on zero-risk investment in government stock?" said the analyst.

He expects demand for Italian equities next year to be low. No new factors are likely to arise to *stimulate interest.*

Nor are foreigners likely to provide a stimulus. "Most *positions have been liquidated.* Foreign investors have enough problems in their own homes," remarked the analyst.

ASIA

Bullish expectations push Nikkei solidly higher

Tokyo

THE OVERNIGHT rebound in New York stocks encouraged buying in Tokyo yesterday, lifting the Nikkei stock average above 23,000 for the first time in 10 sessions, *writes Shigeo Nishiwaki of Jiji Press.*

The market indicator posted an advance of 395.14 to 23,280.84 on volume of 625.07m shares, up from Wednesday's 501.69m. Gains led declines by 682 to 224, with 126 issues unchanged.

Several positive factors emerged to brighten the market: prices on Wall Street had risen *sharply for a third consecutive* session and Japan's trade figures for November showed a steep increase in imports, easing concern about the US trade deficit for October.

Rising expectations of an *increase in Japanese business* earnings also lent support to a broad range of shares.

However, many institutional investors remained reluctant to launch into active buying, limiting the inflow of funds into the *market. Other investors* attempted to reap immediate profits and steels and metals industries were the focus of attention due to rising demand by the construction and car industries for the products.

In medium-capital steels, Yodogawa Steel Works was actively traded and climbed Y190 to Y1,220, Nippon Yakin advanced Y35 to Y735, Nippon Metal Industry registered a daily maximum increase of Y100 to Y644, while Nisshin Steel added Y17 to Y632.

Large-capital steels also rose. Nippon Steel added Y6 to Y425 and Ishikawajima-Harima Heavy Industries put on Y5 to Y635. Kawasaki Steel, which was bought by non-residents through *Nomura Securities,* was *the most* active issue with 54.23m shares traded and ended up Y3 at Y360.

Among high-tech stocks, Hitachi climbed Y10 to Y1,210, NEC added Y30 to Y1,970 and Toyota Motor rose Y40 to Y1,870, while Fuji Photo Film finished Y70 *higher at Y3,970.*

Non-life insurances were traded actively for the first time in many sessions as investment trusts went on a bargain-hunt. Yasuda Fire and Marine Insurance climbed Y58 to Y1,040, *Tokio Marine and Fire Insurance* gained Y70 to Y1,990 and Taisho Marine and Fire Insurance was Y50 higher at Y1,070.

Bond prices eased due to uncertainty about the future direction of interest rates. The *yield on the 5.0 per cent* Government bond due in December 1997, which had fallen to 4.685 per cent on Wednesday night, began at 4.695 per cent and rose to 4.795 per cent.

Prices continued to post sizeable gains on the Osaka Securities Exchange, with the OSE stock average jumping 232.32 to 23,532.98 on transactions of 112.85m shares, down 18.75m.

Tsudakoma rose Y130 to reach a high of Y1,380 and Toyo Linoleum gained the maximum allowable increase of Y110 to Y1,090. Osaka Soda, however, lost Y50 to Y1,450.

NOT A single share changed hands in a cautious Wednesday session on the Shanghai Stock Exchange, according to the World Economic Herald of Shanghai. Moderate buying interest was reportedly met with absolute refusal to sell.

The Shanghai exchange, opened 15 months ago, is one of six securities markets set up in China since August last year. Shanghai investors can trade in shares of eight companies, though the newspaper said official restrictions and lack of the appropriate mentality was inhibiting trade.

Hong Kong

EXPECTATIONS of favourable US trade data and a surge in Tokyo lifted share prices in Hong Kong but trading remained thin.

The Hang Seng index rose 42.69 to 2,027.67, helped by *sharp gains in blue chips and* properties. Banks and trading companies posted modest gains while utilities slipped.

Among other blue chips, Hong-Kong Land added 45 cents to HK$6.90, Hong Kong Bank rose *10 cents to HK$6.65* and Jardine Matheson climbed 20 cents to HK$9.00.

Singapore

SCATTERED and selective bargain-hunting lifted share prices in Singapore for the third *consecutive session after gains* on Wall Street further boosted confidence.

The Straits Times industrial index rose 17.7 to 746.07 in moderate trade. Light profit-taking was evident towards the close.

Blue chips were the strongest sector. DBS and Fraser and Neave rose 35 cents each to S$8.30 and S$6.95. OCBC added 20 cents to S$6.40.

Australia

DRIFTING lower after a good opening, shares finished mixed in thin trading after local selling extinguished early demand from overseas investors.

The All Ordinaries index closed 2.0 lower at 1,235.9 after reaching 1,248.6 early in the session.

Elders closed 10 cents down at A$3.02 and BHP was 10 cents lower at A$6.10, after opening at a day's high of A$6.36.

Brambles lost 10 cents to A$7.16, News Corp shed 10 cents to A$9.90.

EUROPE

US tidings hit Paris, Amsterdam

QUIETLY HOPEFUL that the US trade data would show a modest decline in October, many bourses in Europe posted modest advances yesterday. When the worse than expected figure was announced, most markets had already closed, but Dutch and *French shares* dropped as soon as the bubble of optimism was burst by the US tidings.

AMSTERDAM saw an early advance crumble in *later trading* as news broke of the disappointing US trade figures.

The attendant collapse in the dollar hit internationally-traded issues leading the CBS tendency index 3 per cent lower overall to 61.1, a fall of 1.2. The weighted ANP-CBS index rose 5 to 207.6, but is calculated at midsession *and missed the late selling.*

Among the internationals, Akzo shed Fl 2.60 to Fl 84.20 after climbing to Fl 88.50 early in the session. Akzo has been especially hurt by the weak dollar in tough export markets this *year.*

Unilever, the Anglo/Dutch foods and houshold products group finished Fl 2.40 lower at Fl 96.80, down sharply from the day's high of Fl 101.20 and airline KLM drifted Fl 1.1 lower to *Fl 24.70.*

Philips also eased, by 40 cents to Fl 28, though it was trading ex dividend. Royal Dutch gave up Fl 2.50 to Fl192.30.

The Netherlands' largest insurer, Nationale-Nederlanden *said it broke off discussions with* Irish Life Assurance over the possible sale of Nationale's United Life Insurance Company. The company said the talks did not result in a mutually acceptable agreement. Its share price *slipped 40 cents to Fl 43.90.*

PARIS was caught off guard by the worse than expected US trade figures. As soon as the data was released, the early 3 per cent advance skidded into a broad retreat before a tenetative rally *pulled the bourse indicator* to end a net 0.07 per cent higher on the day.

Leading blue chips were mixed in late trading. Peugeot plunged FFr64 to a year's low of FFr815 after touching a mid-morning high of FFr910. Thomson-CSF dropped FFr21 to FFr645, down from its day's high of FFr735. But Paribas rallied through the day, rising FFr10 to FFr300.

Dozens of stocks closed at new 1987 lows after falls of between 8 and 9 per cent. Marine-Wendel was down 9.6 per cent at FFr202 andCiments Francaise declined *9.4 per cent to FFr770.*

However, oil shares rose after more positive developments at the Opec meeting in Vienna.

FRANKFURT saw a quietly hopeful day on expectations of a modest reduction in the *US* trade deficit. The early steadiness of the dollar encouraged the bubble of cautious optimism and light buying.

The mid-session Commerzbank rose 6.1 to 1,317.1 and the Boersen-Zeitung index ended 4.35 higher at 277.56.

In banks, Deutsche rose DM4.50 to DM405, Dresdner gained DM6.50 to DM237.50 and Commerzbank added DM6 to DM226.

Chemicals saw smaller gains. BASF rose DM2.90 to DM252.20, Bayer climbed DM4.70 to DM260.50 and Hoechst edged DM2.10 higher to DM256.

Helped by early firmness in the dollar, Daimler climbed DM12 to DM617.50, VW added DM4.80 to DM227 and BMW rose DM11 to DM442.

Siemens firmed DM4.70 to DM379.80 and AEG rose DM4.50 to DM225.50.

Engineering Man climbed DM7.90 to DM128.40, boosted by news that it had won a DM850m order from News Corp. Other *machinery issues were pulled up* by Man's advance.

Public authority. bond prices rose modestly in technical trading, but turnover was low as traders awaited the US trade data.

The Bundesbank sold DM70.1m of paper after selling *DM99.4m* on Wednesday.

After the announcement of the trade figures, the Bundesbank stepped into the open market to support the dollar when it lost 2 pfg to DM1.64.

BRUSSELS climbed but trading was very thin with many operators sidelined before Sunday's general election.

The Brussels stock index rose 57.12 to 3,649.49, lifted by sharp gains in the thin market.

Chemicals posted the way higher. Solvay jumped BFr190 to BFr10,000 on foreign buying and UCB surged BFr220 to BFr7,120. Oil *group* Petrofina, which *has* been markedly lower in recent weeks, added BFr50 to BFr8,540.

Holdings and insurers also saw some strong advances. In holdings, Almanij gained BFr160 to BFr3,600 and Sofina added *BFr280 to BFr8,780, while* Reserve firmed a more modest BFr20 to BFr2,270 and Cobepa *shed* BFr55 to BFr3,965. Insurer AG put on BFr240 *to* BFr5,150 and Royale Belge climbed BFr100 to BFr4,200.

Utilities were firmer and banks turned mixed.

STOCKHOLM closed slightly higher before news was released of poor US trade figures. Investors had been cheered by over*night strength* both of the dollar and Wall Street equities. The Affaresvaerlden general index rose 1 per cent to 661.7.

Quality engineers and forestry issues fared best, with Volvo SKr5 higher at SKr288 and Stora *SKR9 beter* at SKr271 and MOdo SKr15 firmer at SKr265.

OSLO firmed with bargain-*hunters continuing to pick up* issues in all sectors. The all-share *index* gained 1.91 to 248.25 in moderate trade.

Leading gains included Saga Petroleum's NKr4 rise to NKr79.5 and Orkla Borregaard's *NKr7.5 advance to NKr340.*

MILAN turned mixed with a firm opening petering out as traders *settled their monthly* options contracts before today's deadline.

Insurers were broadly higher with Generali up L250 at L88,720 and Ras L410 higher at L41,010.

Banks, retailers and blue chips were narrowly *mixed.*

MADRID rallied as institutional investors joined a bargain-hunt started by individuals the previous day.

The general index rose 5.27 to *210.79 as most sectors closed* broadly higher.

Engineerings and constructions built on Wednesday's gains and led the rally, closely followed by chemicals. Banks were modestly higher but continued *to trail other sectors.*

HELSINKI slipped lower in *minimal turnover,* continuing the trend of recent sessions. The Unitas all-share index dipped 3.1 to 566.8.

ZURICH advanced across a broad front, largely because of good overnight gains on Wall Street. However, *wariness over* the US trade figures, released after the bourse had closed, tempered buying enthusiasm and kept volume low.

The Credit Suisse index rose 4.4 to 412.5, lifted by gains in industrials, foods and chemicals.

Ciba-Geigy rose SFr90 to SFr2,750 and Sandoz gained SFr350 to SFr11,800.

Food group Nestle put on SFr200 to SFr8,000.

Banks fluctuated narrowly with a firmer base and insurers were broadly higher.

London

THE HEAVY fall in the dollar after the disclosure of a record $17.63bn deficit on US trade in October knocked the legs from under the London stock market yesterday, *writes Terry Byland in London.*

A notable casualty were the shares of Eurotunnel which ended their first day's trading nearly 3 per cent below the issue price.

Japanese and French investment institutions were heavy sellers of the newly-issued Eurotunnel shares, but one large US buyer showed his hand in the London market.

The surge in the pound on the back of a weak dollar dealt a heavy blow to shares in Britain's leading exporters, while Government bonds, which traditionally benefit from firmness in sterling, were alarmed by the renewed slide in the dollar.

The FT-SE 100 Index closed 19.7 down at 1,619.6, having rallied at the end of the day when Wall Street was also above its lows.

The US trade deficit was "very nasty" news for London, commented John Goldschmidt of Chase Manhattan's UK office.

The record deficit implies the threat of a tighter credit policy in the US, which would hurt Britain's export shares, as well as its *hopes for lower interest* rates.

SOUTH AFRICA

THE SHARP rise in the bullion price following news of the record US trade deficit in November came too late to have more than limited impace on gold share prices in Johannesburg, which closed mixed after a *dull and trendless session.*

Among the heavyweight golds, Vaal Reefs erased Wednesday's gain with a R7 tumble to R347, but Randfontein managed a R5 advance to R290.

Diamond issue and market bellwether De Beers also fell 75 cents to R28.50.

Other *minings* were little changed, with Rustenburg Platinum edging 10 cents lower to R29.50.

Industrial issues followed no clear trend, with sector leader Barlow Rand up 15 cents at R20.25 and South African Breweries adding 25 cents to R16.25.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 9 1987					TUESDAY DECEMBER 8 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	93.34	+2.5	76.78	88.25	4.65	91.06	75.15	86.61	180.81	85.36	96.23
Austria (16)	91.22	+0.4	75.03	78.74	2.65	90.83	74.96	78.68	102.87	85.53	95.42
Belgium (48)	96.44	+1.1	79.32	83.12	5.68	95.36	78.70	82.43	134.89	94.63	97.32
Canada (127)	105.81	+0.4	87.03	100.18	3.10	105.38	86.97	99.89	141.78	98.15	99.69
Denmark (38)	112.52	+1.9	92.54	97.94	3.01	110.38	91.09	96.46	124.83	98.18	98.70
France (121)	79.24	−0.2	65.18	70.08	3.78	79.43	65.55	70.43	121.82	77.39	101.49
West Germany (93)	73.74	+0.9	60.65	63.79	2.98	73.09	60.32	63.38	104.93	68.91	96.43
Hong Kong (46)	76.77	+0.1	63.14	76.63	6.40	76.68	63.28	76.61	158.68	73.92	95.49
Ireland (14)	97.68	+0.8	80.34	85.94	5.25	96.93	80.00	85.61	160.22	93.50	98.46
Italy (94)	76.70	+0.4	63.09	70.09	2.72	76.43	63.08	70.21	112.11	72.04	89.19
Japan (457)	139.80	+0.1	114.99	117.00	0.59	139.60	115.21	117.10	161.28	100.00	96.95
Malaysia (36)	96.74	+2.5	79.57	93.13	3.87	94.37	77.88	90.93	193.64	93.76	97.69
Mexico (14)	115.32	−1.3	94.85	284.32	1.06	116.83	96.41	286.76	422.59	99.72	102.50
Netherland (37)	91.65	+0.7	75.38	78.31	5.73	91.04	75.14	78.00	131.41	87.70	97.99
New Zealand (20)	77.38	+2.2	63.64	64.10	5.23	75.72	62.49	62.91	138.99	75.09	94.18
Norway (24)	98.74	+2.4	81.21	86.17	3.15	96.41	79.56	84.66	185.01	95.51	98.33
Singapore (27)	84.20	+3.7	69.26	78.84	3.05	81.21	67.02	76.15	174.28	81.21	99.92
South Africa (61)	137.75	+1.7	113.30	91.95	4.63	135.45	111.78	91.12	198.09	100.00	100.81
Spain (43)	117.87	+1.4	96.95	100.37	4.11	116.19	95.89	98.98	168.81	100.00	95.53
Sweden (34)	93.53	−0.8	76.93	83.18	2.74	94.26	77.79	84.14	136.64	88.50	95.38
Switzerland (53)	77.07	+0.9	63.39	65.01	2.55	76.41	63.05	64.61	111.11	73.65	96.16
United Kingdom (332)	120.31	+1.1	98.96	98.96	4.68	118.99	98.20	98.20	162.87	99.65	94.17
USA (582)	97.15	+1.8	79.91	97.15	3.79	95.46	78.78	95.46	137.42	91.21	104.02
Europe (947)	96.56	+0.9	79.42	82.00	4.10	95.74	79.01	81.56	130.02	92.25	95.40
Pacific Basin (675)	135.65	+0.2	111.57	114.47	0.81	135.35	111.70	114.48	158.77	100.00	96.88
Euro–Pacific (1622)	120.04	+0.4	98.73	101.51	1.87	119.53	98.65	101.34	143.65	100.00	96.29
North America (709)	97.61	+1.7	80.29	97.34	3.75	95.99	79.21	95.73	137.55	91.68	103.79
Europe Ex. UK (615)	81.82	+0.6	67.30	71.38	3.57	81.32	67.11	71.14	111.97	78.89	96.17
Pacific Ex. Japan (218)	85.44	+1.8	70.28	81.32	5.13	83.94	69.28	80.20	164.03	82.92	96.01
World Ex. US (1824)	119.74	+0.4	98.48	101.51	1.94	119.21	98.38	101.33	143.38	100.00	96.46
World Ex. UK (2074)	110.09	+0.9	90.55	100.21	2.34	109.15	90.08	99.51	138.82	100.00	99.92
World Ex. So. Af. (2345)	110.81	+0.9	91.14	100.08	2.55	109.84	90.65	99.38	139.47	100.00	99.39
World Ex. Japan (1949)	97.18	+1.4	79.93	91.39	3.93	95.84	79.09	90.25	134.22	92.98	100.58
The World Index (2406)	110.98	+0.9	91.28	100.05	2.57	110.01	90.79	99.35	139.73	100.00	99.40

Base values: Dec 31, 1986 = 100
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